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Task Force on Occupational Training in Industry, Washington, D.C.

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In approaching its mission, the task force defined occupational training and private industry as follows: the term "private industry" embraces all service and goods-producing industries other than government agencies but includes nonprofit organizations and establishments. The term "occupational training" includes the supportive services associated with skills training, such as basic education, counseling, and testing, as well as skills training itself. The task force concluded that training and education undertaken by business and industry and by public and private institutions, ranging from very informal to highly structured programs, generally have equipped a large part of the work force with the skills needed for employment. However, training and related services have not been sufficiently available and are needed by large numbers of disadvantaged persons to qualify them for job entry and for continuing employment, and by many thousands of young people to help them successfully bridge the gap between school and work. The task force recommended that federal reimbursement of training expenses should be provided in order to overcome economic barriers to training in business and industry and to assure training in areas of national interest. (CH)

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
OFFICE OF EDUCATION

REPORT OF THE 3 TASK FORCE ON OCCUPATIONAL TRAINING IN INDUSTRY,

Washington, DC.

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A GOVERNMENT COMMITMENT TO OCCUPATIONAL TRAINING IN INDUSTRY.

AUGUST 1968

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Letter of Transmittal

August 1, 1968

TO THE SECRETARY OF LABOR AND THE SECRETARY OF COMMERCE:

I have the honor to submit to you the Report of the Task Force on Occupational Training in Industry. The Task Force was appointed in accordance with the instructions contained in the 1967 President's Manpower Report to the Congress and began its work on December 1, 1967.

The Report calls for a Federal commitment to adequate levels of occupational training in the United States and provides a framework for action to promote and assist training in business and industry. The Task Force recognizes, however, that continued evaluation and study will be necessary to develop a comprehensive and dynamic national policy on training.

The members of the Task Force appreciate the opportunity to have been of service.

Vivian W. Henderson
VIVIAN W. HENDERSON, Chairman

Finlay C. Allan
Rupert N. Evans
W. P. Jones
Rashi Fein
Frank L. Fernbach
Karl R. Kunze
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THE TASK FORCE ON OCCUPATIONAL TRAINING IN INDUSTRY

December 1967 - June 1968

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NOTE: James G. Patton was appointed to the Task Force but was unable to serve.

ACKNOWLEDGMENTS

The Task Force expresses its deep appreciation for the assistance and generous counsel of the many private firms, labor organizations, government agencies and professional and trade associations which were consulted in the course of its investigation. We wish to thank the consultants to the Task Force for their valuable advice: Dr. Kurt Braun, Professor Stanley Lebergott, and Dr. Garth Mangum. We appreciate the services of Chester Hepler of the Department of Labor who served as consultant on several subjects and Mrs. Maxine Stewart of the Department of Labor who edited the manuscript. We are also grateful to Mrs. Pauline Bresnahan of the Department of Commerce who performed the Task Force's secretarial and administrative duties.

Mr. William Mirengoff and Mr. Davis Portner, representatives of the Department of Labor and the Department of Commerce, were responsible for much of the preparatory work in setting the stage for the Task Force. In these activities they were assisted by the Interagency Planning Committee, consisting of representatives of: The Department of Agriculture; the Department of Defense; the Department of Health, Education and Welfare; the Department of the Treasury; the Bureau of the Budget; and the Office of Economic Opportunity; in addition to the Departments of Labor and Commerce. Special thanks are due to the Department of Labor for the professional staff resources made available to the Task Force and to the Department of Commerce for administrative support and office space.

CHAPTER I

introduction

In his 1967 Manpower Report, the President issued the following directive:

> As the demand increases for workers with special skills, we should take positive steps particularly to encourage private job training efforts:
>
> . . . I am directing the Secretary of Labor and the Acting Secretary of Commerce, in cooperation with other Federal agencies, to establish a Task Force on Occupational Training. This task force, with members drawn from business, labor, agriculture, and the general public will survey training programs operated by private industry, and will recommend ways that the Federal Government can promote and assist training programs.

The President's directive was issued against a backdrop of persistent national problems of unemployment and underemployment, with their attendant social and economic ills, paradoxically coexisting with widespread job vacancies in a variety of occupations and industries. For example-

-While the overall unemployment rate for the past 2 years has remained below 4 percent of the work force, substantially higher rates have prevailed persistently among certain segments of our population: among racial minorities, among teenagers, and among workers with limited skills and education.

-In addition to the unemployed, millions of Americans are working either part time or below their educational and skill levels or are earning below poverty-level incomes. Additional millions are neither working nor seeking work but want and need employment.

-Continuing high levels of job vacancies are reported for skilled workers. In a number of professional, technical, and craft occupations, serious shortages of qualified personnel have emerged.

For the future, the pattern of the economy's prospective manpower requirements points to greatly increased demand in those occupations requiring high levels of training. This pattern of projected manpower requirements suggests that the gap between the manpower needs of industry and the skills of the work force will continue in the absence of decisive remedial action. Equally as compelling as the need to staff the Nation's economic growth are the imperatives of social order as well as simple justice, which demand that maximum use be made of our human resources.

The extent and quality of occupational training in the United States will be a key factor in the Nation's ability to meet its rapidly growing demand for highly skilled workers. A general expansion in our training effort will be essential to prepare for employment the millions of persons, particularly from disadvantaged backgrounds, who will be seeking work in the years ahead.

The Task Force's mandate was to focus on this crucial role of training in meeting the Nation's employment problems. In doing so, however, the Task Force recognized that a full employment policy must rely both on policies to promote economic growth and on training and other manpower policies. Training policies alone cannot create jobs but can only help to qualify the members of the work force for the available employment opportunities. Policies to promote economic growth by monetary, fiscal and other means will be essential if the economy is to produce a sufficient number of jobs to absorb the presently unemployed and underemployed, those coming into our rapidly growing work force, and those who will be displaced in the future by rapid technological change. These employment-generating economic policies, however, will have to be accompanied by adequate training and related services to prepare the available work force for emerging job opportunities.[1]

---

[1] The problem of job creation was outside the direct mandate of the Task Force and, thus, was not studied by the group, nor were alternative job-creation policies considered. However, the following members -- Messrs. Allan, Davis, Evans, Fein, Fernbach, Foltman, Henderson, Stanley, and Weinlein -- had this comment on the subject:

> Even if buttressed by effective economic and fiscal policies, we do not believe that manpower training, no matter how greatly expanded, can alone do enough, fast enough, to meet the critical immediate job needs of millions of disadvantaged. Although we unqualifiedly support more training to prepare individuals for employment, we also believe that a nationwide effort to insure rapid job creation is now imperative. This can best be done by instituting a National Public Employment Service Program as proposed in 1966 by the President's Commission on Technology, Automation and Economic Progress and subsequently endorsed by three other Presidential Commissions, by the Urban Coalition, and by many other significant groups.
>
> In our judgment, the commendable training effort of private business must be supplemented by a job-creating public employment program which can quickly utilize hundreds of thousands of disadvantaged in the performance of worthwhile services in the Nation's parks, schools, hospitals, playgrounds, libraries, public buildings, and similar institutions in the Government and private nonprofit sectors of the economy. Public service employment, in rural as well as urban America, is not only our best hope for jobs for older workers who often are bypassed by the private sector, it also will well serve many younger workers as a transitional job experience. Most important, competent studies show that this program could provide hundreds of thousands of useful jobs almost immediately.
>
> Under a public employment program, all participants should have access, of course, to training and supportive services that would increase their employment potentials.

If Federal policies are to attack training and employment problems realistically, they must involve the active participation of private industry--the principal user of the Nation's work skills. Moreover, most Americans working below the professional level learn the skills required for their jobs at the worksite. While many workers learn their jobs in schools and in other institutional settings, training within industry--ranging from the most casual form of "pickup" training to highly structured apprenticeship programs--accounts for the largest part of the Nation's occupational training.

Government-industry cooperation in the field of occupational training has already proven successful in the limited programs in which such approaches have been attempted--the Federal apprenticeship program, on-the-job training under the Manpower Development and Training Act, in cooperative school-work programs, and in the antipoverty program. Thus, the urgency of our manpower problems has been accompanied by increasing evidence that private industry has the potential and willingness to play a significantly larger role in the task of developing the skills of the Nation's work force.

There is a need to assess, therefore, the future role of business and industry in the Nation's total manpower training effort and the shape and scope of Government programs which will be needed to assist and promote private job training efforts. Specifically:

- Should the Federal Government continue to rely increasingly on the private sector in providing occupational training and related manpower services?

- Should the development of specific types of training programs in business and industry be encouraged?

- Is additional Federal assistance or encouragement needed or desirable?

- What institutional forms should such assistance take?

- How can these policies of Federal assistance to industry best be coordinated with educational and other institutional training?

To help answer these basic questions, the Secretaries of Labor and Commerce convened, on December 1, 1967, the Task Force on Occupational Training in Industry. The Task Force was asked to recommend Federal policies with respect to training in business and industry which would be addressed to their role in meeting the long-term economic and social objectives of the Nation rather than to propose solutions only to "crisis" situations.

An additional consideration in establishing the Task Force was the expectation that its focus on training in the private sector would complement the work of two other federally appointed committees,[2] whose work is now completed, which had been charged with reviewing public training programs. The Committee on Administration of Training Programs, which was established in October 1966 at the request of Congress, had been appointed to study the administration of training programs financed with Federal funds to determine "if there is waste, duplication, and inefficiency in administering the programs. . .and, if this determination is in the affirmative, to make recommendations for correction." At the same time, an ad hoc Advisory Council on Vocational Education, established under the Vocational Education Act of 1963, was assessing the progress and objectives of federally supported vocational and technical education programs in order to make recommendations for necessary changes and improvements.

In approaching its mission, the Task Force defined occupational training and private industry as follows:

- The term "private industry," for the purpose of the Task Force, embraces all service- and goods-producing industries, other than Government agencies, but includes nonprofit organizations and establishments.

- The term "occupational training" includes the supportive services associated with skills training such as basic education, counseling, and testing, as well as skills training itself.

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[2] See Volume II, Appendixes F and G for recommendations of these two committees.

CHAPTER II

conclusions and recommendations

Conclusions

I. The Task Force concludes that:

—training and education, undertaken by business and industry and by public and private institutions, ranging from very informal to highly structured programs, generally have equipped a large part of the work force with the skills needed for employment.

However, training and related services have not been sufficiently available and are needed

—by large numbers of disadvantaged persons to qualify them for job entry and for continuing employment;

—by many thousands of young people to help them successfully bridge the gap between school and work;

—to provide sufficient trained manpower in certain occupations and sectors of the economy;

—to provide upgrade training to meet skill shortages, provide opportunities for individuals to advance up the skill ladder, and to open up entry level jobs to less qualified individuals; and

—to meet the large increase expected in the years ahead in our work force and the growing demand for skills requiring specialized training.

II. The Federal Government should make a positive commitment to the promotion and assistance of occupational training to meet these needs. The commitment should be continuous and responsive to the Nation's long-term manpower requirements rather than only to immediate crisis situations.

III. The Federal Government's interest in training extends beyond the manpower requirements of individual firms to include the following:

A. Attaining national social or economic objectives by

1. improving the skills and productivity of the labor force and maximizing economic growth rates;

2. preventing and alleviating skill shortages that affect national security and cause inflationary pressures;

3. minimizing the extent of unemployment; and

4. assuring equal training and employment opportunities to all persons, without regard to race, creed, or national origin.

B. Meeting the needs of individual workers by

1. retraining workers whose jobs may be or have been displaced by technological change and reemploying those who have been displaced by such change;

2. helping persons qualify for entry and advancement in occupations of their choice;

3. encouraging individuals to develop their optimal vocational competence;

4. increasing employability and range of employment opportunities for certain population groups, e.g., hard-core unemployed, new labor force entrants, rural migrants, older workers, the physically and mentally handicapped; and

5. training or orienting supervisors to the specialized needs of these groups.

IV. Since business and industry employ most workers in our economy and have established expertise in occupational training, they should play larger and more effective roles in attaining the Nation's training objectives primarily through the expansion and improvement of their occupational training programs. Employers should also provide leadership in the improvement of public education and training to make these programs more relevant to industry's manpower needs.

V. Various forms of Government assistance are needed to enable business and industry to expand their training in the areas of public interest listed in Conclusion No. 3 above. The payment of financial incentives to employers will be required to expand training to meet the most urgent of these areas of Federal interest. Special financial inducements will be needed to meet the extra and unusual costs of training the disadvantaged and hard-core unemployed.

VI. Although more data are needed to evaluate adequately present training programs, sufficient evidence is available on the Nation's current training efforts and future manpower needs to warrant the following recommendations. It is emphasized that the programs recommended should not be viewed as a substitute for continuing efforts to improve the basic education system. It may be necessary, however, temporarily to take remedial action such as literacy programs for disadvantaged adults.

Recommendations

A NATIONAL COMMITMENT TO TRAINING

I. Congress should pass a National Training Act which would:

A. Declare an explicit Federal commitment to the attainment of levels of training adequate to meet the Nation's economic, social and security needs and to help individuals quality for the attainment of their career objectives

Such a policy would provide a basis for future Federal action to stimulate and assist occupational training on a continuous basis, in both the private and public sectors, thus anticipating in addition to remedying such problems as shortages in critical skills, technological displacement of workers, long-term unemployment of certain disadvantaged population groups, and regional unemployment.[3]

A national policy on training would also provide a rationale for coordinating, integrating, and consolidating, where appropriate, the many different federally sponsored training programs in industry. The Nation took a major step toward the shaping of a coherent national manpower policy with the enactment of the Manpower Development and Training Act of 1962 and its subsequent amendments. The continued proliferation of Government-sponsored and Government-supported programs, however, requires considerable further coordination.

B. Establish a National Training Council.

This Council, made up of representatives from business, industry, labor, education, training and the general public and supported by a professional staff and utilizing primarily the resources of existing agencies would:

—Assess the need for training in the United States.

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[3] The following members—Messrs. Allan, Davis, Evans, Fein, Fernbach, Foltman, Henderson, Stanley and Weinlein—felt that serious study and consideration should also be given to including, as part of this policy, a guarantee of minimum levels of training to all Americans. In his message to Congress of January 23, 1968, the President spoke of the right of every American to earn a living. In order to exercise this right effectively, individuals must have the appropriate education and training to qualify for employment. Consideration should be given to a Federal guarantee of education and training for a specified number of years for everyone in his lifetime. The Government commitment would be to underwrite either some form of education or occupational training—institutional or in industry—for a given number of years extending beyond high school.

—Make periodic evaluations to determine if the Nation's training needs are being met and if training programs are coordinated and integrated adequately.

—Recommend policies, programs, and/or legislation to fill significant gaps in our training efforts.

—Report to the President and through him to the Congress once a year.

FINANCIAL INCENTIVES TO STIMULATE TRAINING IN INDUSTRY

II. Federal reimbursement of training expenses should be provided in order to overcome economic barriers to training in business and industry and to assure training in areas of national interest. Financial assistance, however, should be limited to the following specific purposes:

A. To help firms, associations, or organizations to provide an identifiable program of training, basic and remedial education or other special services for the disadvantaged, the hard-core unemployed, and the underemployed groups in the population, the handicapped, and for new entrants into the labor force to help bridge the gap between school and work.

B. To reimburse the costs of training or orienting supervisory personnel to deal with the specialized employment problems of seriously disadvantaged workers.

C. To enable smaller firms to provide training for their employees, either through improving training in their own establishments or through cooperative or joint training arrangements.

D. To firms, associations, or organizations to train beyond their own requirements for the general needs of the job market in specific areas of Federal interest. These financial incentives should provide for a reasonable return on investment.

E. To establishments, such as those in health services and in other nonprofit sectors, whose financing mechanism does not permit substantial investment in training and where passing on the cost of training to the consumer would be socially undesirable.

F. To firms, associations or organizations to enable them to provide training in critical occupations chronically in short supply.

The largest social and economic gains from Federal expenditures to support training in industry would be obtained from training directed at increasing the employability of special groups in the population and training addressed to eliminating shortages in specific occupations, industries, and different parts of the country.

Direct reimbursements to employers appear to be the most efficient and effective financial incentive devices for achieving these purposes, for the reasons discussed in chapter V. A general tax credit approach and the application of a levy-grant or offset system, were also assessed as possible methods of reimbursing employers for training costs but were considered to be less efficient devices for achieving the specific training objectives outlined above.[4&4a]

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[4] The following members—Miss Breen and Messrs. Evans, Hardman, Jones, Kunze, and Musgrave took exception to the use of direct reimbursement only and the rejection of tax-related incentives expressed in this paragraph and stated their views as summarized below.

Inasmuch as a principal objective of the Task Force is to recommend incentives for business and industry to increase its direct involvement in the Nation's occupational training needs, and since experience with the contract method has often operated to discourage their involvement, other incentive devices and procedures must be sought out which would better serve the needs of a long-range program.

The great variety in size, needs, and capabilities within the private sector, the varying specific objectives of public policy as they relate to changing social and economic conditions, and the wide range of individual abilities and aspirations among workers make it unlikely that any one method is best suited to achieve the goals of a comprehensive national training policy. Appropriate incentive programs should provide a major degree of built-in flexibility and optimum freedom of choice for both workers and employers. Administrative procedures should be as simple as possible, but must furnish a basis for cost-benefit analysis and evaluation of achievements.

Accordingly, we propose a comprehensive training program that offers: (a) selection from among three incentive options to all employers in the for-profit sector; (b) two options for the not-for-profit sector; and (c) suitable occupational choice for prospective trainees. Except for option No. 1 (below), programs would be administered locally by the Labor Department through the offices of the Federal-State Employment Service, which would accept and approve training proposals and refer "certified" trainees in accordance with federally established criteria.

Each employer in the for-profit sector could elect to participate through any of the following options:

Option No. 1. Direct subsidy through negotiated contract: This is the method now used for MDTA-OJT, MA-1, MA-2, and MA-3 and would probably be most suitable for large establishments and associations of smaller employers that have the resources and expertise to negotiate national contracts for sizable numbers of trainees.

Option No. 2. Wage credits for approved employment and training of "certified" trainees: Any employer may submit to the local Employment Service an offer to hire and train one or more (scaled according to size of establishment) "certified" applicants referred by the local office. If the terms and conditions specified are acceptable, the offer may be approved and the trainees referred. For each such worker hired, the employer would be allowed wage credits as a business expense against gross income, on an incentive schedule for length of employment, ranging from 120 percent to 200 percent of the wage cost for periods up to 1 year.

Option No. 3. Wage reimbursement for approved employment and training "certified" trainees: This is identical with Option No. 2, except that the employer could elect to accept a cash payment in partial reimbursement of wages paid to "certified" trainees. The schedule could range from 20 percent up to 80 percent for a full year's employment.

Employers in the private not-for-profit sector could select Option No. 1 or No. 3, under the terms specified.

Since the incentives would invite maximum employer participation, while the number of "certified" trainees would be limited by congressional and/or administrative determination, each prospective trainee would have freedom of occupational choice suited to his needs and abilities. To assure the meeting of national priorities, both the number and target groups of workers to be "certified" each year (disadvantaged, hard-core, youth, etc.) would be set at the national level. Occupational categories for approved training could be designated similarly. Administrative safeguards and details are discussed at the end of chapter V.

[4a] Dr. Fein had the following comments on the above exception:

Direct reimbursements to employers appear to be the most efficient and effective financial incentive devices for achieving the purposes specified in recommendation 2. However, in providing these direct reimbursements to employers, two alternative methods of payment should be offered: (a) negotiated contracts for the payment of specified, reimbursable costs (as in the current MDTA programs); (b) cash payments under a schedule of percentages of wages paid to "certified persons" whom the employer has hired, trained, and retained on his payroll for a specified period (as under a plan of the type illustrated in Option No. 3 of the exception above). Persons would be "certified" by the public employment service where they meet administratively determined criteria for the program, (e.g., hard-core unemployed, disadvantaged, etc.).

Contracting procedures should be simplified as much as possible to lessen the burden on the contractor performing the training and to provide continuity of needed training efforts. For example, the possibility of reducing end-of-fiscal-year confusion and delay through the provision of "no-year" appropriations and "open-end" contracts (contracts without a terminal date) is among the steps that should be explored to facilitate the negotiation for and operation of training projects.

III. Current Federal programs of financial assistance to training in industry should give first priority to assisting employers who agree to hire and train the disadvantaged, hard-core unemployed, and underemployed adults and unskilled youth in our population, in view of the urgent social problems posed by the unmet training and employment needs of these individuals.

Employers should be reimbursed for the extra and unusual costs, effort and risk involved in hiring, training, and otherwise preparing these persons for employment. Only the costs over and above those customarily incurred by an employer hiring and training a new employee should be reimbursed.

Employers would be reimbursed for such costs as:

- counseling and testing, prevocational basic education, skills training and minor medical care and and transportation;
- supervisory and coworker orientation; and
- setting up child care centers or otherwise providing child care services for women participating in these programs.

Incentive awards should be paid to employers of trainees who have completed successfully a specified period of employment under these programs.

In terms of both the magnitude and urgency of the task, the problem of solving the unmet training and employment needs of millions of poor, unskilled, underemployed, handicapped and otherwise disadvantaged Americans should be given first priority in the Nation's occupational training policy. The evidence, cited in chapter III of this report, of withdrawal from the labor force, persistent hard-core unemployment and employment in poverty-level and "dead-end" occupations among adults and high unemployment rates among young people--particularly minority youth--point to the need, in our society, for a massive program of human renewal. In addition to the serious economic loss represented by this underutilization of our human resources, grave social problems have also resulted. These problems were pointed up in the Report of the National Advisory Commission on Civil Disorders which concluded that problems of unemployment and underemployment in racial ghettos were "inextricably linked to the problem of civil disorders."

Private industry has the capability to make a major contribution in meeting these needs. The usual economic deterrents to training in industry, however, are further compounded by the greater risks and difficulties involved and the additional services needed to hire and prepare the seriously disadvantaged for gainful employment. Government can help overcome these barriers by reimbursing employers for part or all of these unusual costs. This would provide incentives which will reduce the margin of competitive disadvantage which the unskilled and inexperienced normally suffer in a free job market. In addition to financial assistance, the Government should provide such supplementary services as the identification and referral to employers of disadvantaged and other hard-core unemployed individuals. A major step forward has already been taken to meet these needs through the MA-3/JOBS program, which provides funds to offset the added costs of hiring, training and furnishing a broad range of supportive services needed to rehabilitate hard-core unemployed individuals into fully productive workers.

Since regular on-the-job training (OJT) programs have achieved high levels of cost effectiveness, the Task Force strongly urges that these programs not be reduced in size in order to give first priority to special training programs for the disadvantaged, hard-core unemployed. Instead, additional funds should be appropriated for these new programs.

Regulations should be established and effectively enforced to insure that no currently employed workers be displaced as a result of these Government-sponsored training programs.

MA-3 type programs can be strengthened by providing reasonable incentive awards to employers who retain hard-core unemployed persons beyond a given period. The Government should reimburse employers for the cost of providing day care services to enable women in need of work to participate in industry training programs.

Current "crash" programs are likely to make a significant impact on the problems of persons who are currently poor and out of work, but a long-term commitment to the needs of these individuals will be required if hard-core unemployment is to be greatly reduced or eliminated.

IV. The Government should promote and provide assistance to employers to establish "upgrade" training programs and to conduct manpower utilization studies, specifically:

A. A separate title should be added to the MDTA and specific additional funds should be provided for training and basic education programs in industry designed to raise the skill levels of employed workers.

Training which increases the skill level of already employed workers is a highly efficient and socially desirable way of training for skill shortages and for qualifying individuals for firstline supervisory positions. Such upgrade training can also be used effectively to help the large numbers of underemployed Americans move out of low-level jobs and employment situations that do not make maximum use of their potential. Upgrading currently employed workers would create employment opportunities at the entry level.

The MDTA program is an excellent vehicle to provide such training but a specific title should be added to the Act and supplementary funds should be provided for this purpose. Upgrade training might be provided during off-duty hours or during the trainees' normal work hours or a combination of the two. Adequate incentives should be provided to the trainees if upgrade training is offered during off-duty hours. In addition to MDTA programs, the Federal Government should encourage the establishment and funding of vocational and technical education for upgrade training offered by secondary and postsecondary public educational institutions.

B. To help facilitate these programs and to reduce the number of low-level "dead-end" jobs, the Government should provide also financial support to employers in the conduct of job redesign and job rearrangement analyses addressed to the creation of career ladders where such sequences do not exist, or are clearly inadequate.

Job design and rearrangement analyses of a firm's operations aimed at eliminating low-level jobs with little potential for advancement and establishing career ladders would aid employers in instituting upgrade training programs. Such studies should result in a succession of skill levels starting with an entry job appropriate for training a disadvantaged person and moving through a series of jobs of progressing complexity. In order to insure that such studies meet these objectives, they should be coupled with federally sponsored hiring or training programs.

In assuming the cost of job design studies, the Government should not pay for the rearrangement of plant layout, machinery, equipment or materials which may be necessary for the implementation of the studies.

V. Existing authority under Federal procurement contracts should be used more extensively to support training by contractors and subcontractors who provide goods and services to the Federal Government.

Even though authority exists for contractors who conduct training programs in connection with the execution of Federal procurement contracts, this authority is not widely used. The Federal Government should make more extensive use of its existing authority in this field.

COOPERATIVE WORK-STUDY PROGRAMS

VI. The necessary Federal financial and technical assistance should be made available to schools and employers to expand greatly cooperative work-education programs offered through secondary schools and junior colleges.

Part-time education–part-time work programs have been highly successful in their placement records and in the employment stability and job satisfaction of their graduates. The total number of students in these cooperative work-education programs, however, is small. Enrollments could be expanded successfully severalfold if work-education were promoted in education and in industry. Additional funds should be provided to schools and to employers to expand these programs.

VII. Assistance should be provided also to promote cooperative work-education programs for the adult hard-core unemployed and disadvantaged.

The work-education principle has been successfully applied on a limited scale in Government-sponsored programs which combine the part-time employment of adult workers with part-time attendance at skill centers, vocational schools, and other institutions. The Government should encourage the further extension of these programs in private industry and in local, State, and Federal agencies.

TRAINING SERVICEMEN FOR CIVILIAN JOBS

VIII. To assist individuals leaving the Armed Forces to make the transition from military service to civilian status, the Department of Defense should provide every serviceman who is approaching discharge or retirement with an opportunity to receive training for civilian employment. The serviceman should be permitted to extend his enlistment for a period not to exceed 1 year for the sole purpose of receiving this training.

Similarly, servicemen who lack high school diplomas should be permitted to extend their tour of duty for a period not to exceed 1 year for the purpose of obtaining high school equivalency certificates in order to enhance their opportunities for training and employment in civilian life.

A program of training in civilian skills by the Armed Forces would provide a major source of trained manpower for the Nation's employers as well as assistance to servicemen to find employment readily after completion of their military service. This training should be conducted in consultation with, or in part by, employers in business, industry and public service. Funds should be appropriated that are specifically earmarked for this purpose.

The Department of Defense's Project Transition presently offers training and education to all enlisted personnel on a voluntary basis during their last few months of service. The recommended program would improve upon Project Transition by providing a longer training period and by permitting transfer of trainees to other locations and other branches of the Armed Forces. On-base training could be provided directly by the Armed Forces or by contract with private firms. To the extent needed, on-base training should be supplemented by MDTA or other on-the-job, institutional or coupled training in both private and public establishments. In times of national emergency, such training programs should be suspended.

Many young servicemen are handicapped in seeking civilian training and employment after discharge because they fail to meet the minimum educational requirements of many employers--a high school diploma. These men should be permitted to elect extended service for this purpose under the same terms and conditions as men who choose to enroll in occupational training courses during the extended period.

TECHNICAL SERVICES AND PROMOTIONAL EFFORTS

IX. The Federal Government should undertake a comprehensive program of technical assistance to employers in setting up and improving training programs and promotional activities designed to increase and improve occupational training in private industry.

In providing this assistance, maximum use should be made of the expertise of organizations in the fields of education and training services, employer associations, unions, and professional societies.

In addition to economic barriers to training, many employers fail to train because of lack of understanding of the need for, and value of, training programs in their operations. Also, small and medium-sized firms, particularly, may lack training expertise. A major program of technical assistance and promotional efforts would provide advice to employers concerning the techniques, administration and planning of training and related programs and would promote the establishment of training programs in industry. The services provided should cover all skill levels and include assistance in the specialized problems of providing work preparation to the disadvantaged and hard-core unemployed. The program should include the establishment of a clearinghouse for information on training programs and methods.

X. Apprenticeship training as promoted by the Federal Government should be evaluated. Consideration should be given to proposals designed to expand this training method while maintaining its quality such as the following;

—Expand the present staff of the Labor Department's Bureau of Apprenticeship and Training with additional qualified personnel well grounded in the needs of industry and thoroughly acquainted with related educational programs.

—Extend apprenticeship programs to include additional occupations and localities not currently being served.

—Improve and make widely available information on apprenticeship openings through an expanded system of apprenticeship information centers and other approaches.

—Encourage members of minority groups to take advantage of opportunities for apprenticeship training.

—Provide basic education, counseling, pre-apprenticeship and other necessary services to help youth satisfy apprenticeship entrance requirements.

—Provide specific related instruction under public auspices to all apprentices in training.

In order to assure that this desirable form of skills training is both up to date and operating at maximum effectiveness, there should be a thorough review of research undertaken on this subject and a determination of the need for additional research should be made. These studies might point to ways of modifying and strengthening apprenticeship and facilitating entry into apprenticeable occupations.

SKILL CENTERS

XI. Skill centers operated by Government, public and private schools, employers and unions should be studied to determine their effectiveness. The need for additional centers in selected geographical areas should be evaluated.

Skill centers, comprehensive facilities which provide training and job-related services in a variety of occupations, have been utilized to train persons whose skills have become obsolete as a result of technological change, unskilled workers, workers in need of upgrading, and others who need skills training. A thorough evaluation of this approach to meeting manpower requirements is needed to determine whether and to what extent various types of skill center programs should be promoted by Government.

REVIEW OF LAWS, REGULATIONS, AND PRACTICES THAT MAY INHIBIT TRAINING

XII. A thorough and prompt review should be made of legal and administrative requirements and practices which tend to serve as barriers to training in industry.

Among the laws, administrative requirements and industry practices that should be studied are occupational licensing regulations that make it difficult for persons to enter particular occupations or to become qualified for them; inflexible practices of employers regarding hiring and training persons with arrest and conviction records; unnecessarily stringent criteria for security clearances of persons employed in private industry under Government contracts which may inhibit employment and training.

Research might be undertaken to determine whether, under the unemployment insurance systems, the risk of an unfavorable merit rating due to excessive turnover serves as a barrier to employer hiring and training of seriously disadvantaged persons.

Title VII of the Civil Rights Act of 1964 and its administration should be reviewed to determine how this law can be a more effective tool in assuring equal access to training opportunities for all persons, without regard to race, color, religion, sex, or national origin.

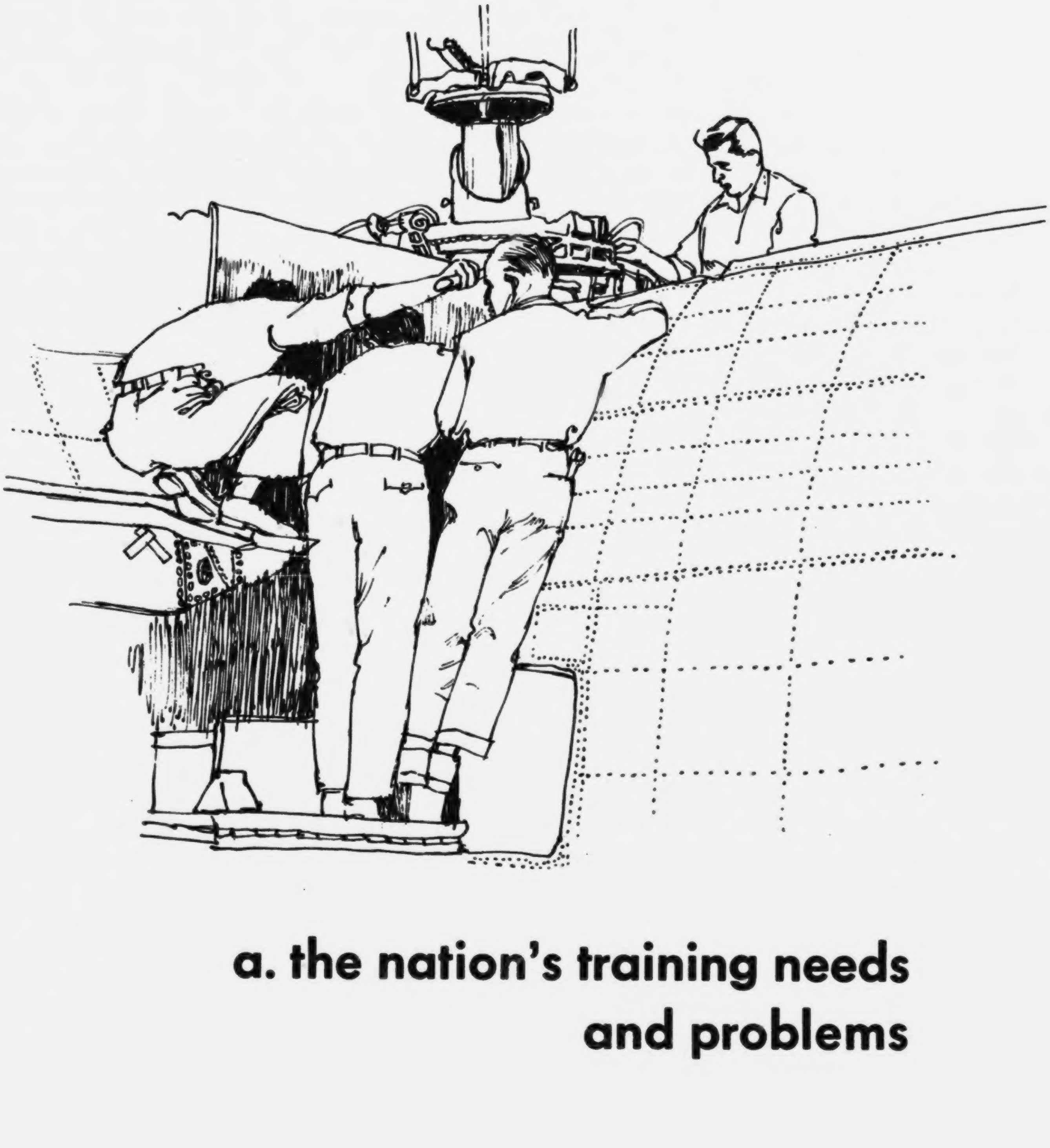
RESEARCH AND INFORMATION NEEDS

XIII. A significant expansion of research on training should be undertaken in order to provide a basis for developing and evaluating policies and programs.

A major research effort is needed to fill such basic informational gaps as the need for detailed and up-to-date information on the nature, extent, cost, and quality of occupational training in private industry; the relative effectiveness of the various types of training programs; and assessment of the current Government-sponsored training programs and the projected training needs of the Nation's economy. Research also should be undertaken to identify additional methods of stimulating more training in industry and to determine whether current laws or administrative practices are barriers to expansion of training.

CHAPTER III

the status of occupational training



a. the nation's training needs and problems

A. The Nation's Training Needs and Problems

Two central needs emerge from an assessment of the Nation's current training effort: the need to enable the jobless and underemployed to obtain meaningful and rewarding employment and the need to meet the employer's requirements for workers.

Among the most critical problem areas are the persistence of hard-core unemployment among adults, high levels of youth unemployment, special training needs of persons in urban ghettos and rural areas, the need for upgrade training to help persons advance from low-level "dead-end" jobs, and continuing shortages in some occupations.

For the future, the Nation's training efforts will have to be geared also to meet the needs of

- millions of new young workers who will be entering the labor force
- many women who will need training or retraining for reentry into the work force
- persons whose skills will become obsolete as a result of technological change
- the Nation's employers whose operations will require a changing occupational mix and higher skill levels
- persons to whom racial discrimination has been a barrier to training and employment

It is recognized that training alone will not meet these anticipated needs but must be accompanied by high levels of economic growth to insure employment expansion to absorb the additional labor force.

The following data from the 1968 Manpower Report of the President and studies of the Bureau of Labor Statistics are included in this report to provide some indication of the magnitude and nature of the problem areas and to focus on the training which will be required to help solve these problems.

The Underemployed

Programs and related efforts to meet training and employment needs of disadvantaged workers with long periods of joblessness now have top priority among the Nation's manpower programs. Considerable information is available regarding these unemployed--how many, who and where they are, and some of their major problems. Unemployed workers differ not only in the length of time they are out of work but also in their financial needs and responsibilities, work experience, place of residence, education, and skills, and other personal attributes that greatly influence their chance of employment and their needs for training and other services.

Unemployment in an Average Week[5]

The 3 million unemployed persons in 1967 were about evenly divided between males and females. However, the unemployment rate for males (3.1 percent) was lower than that for female (5.2 percent).

The need for training and work experience is underscored by data which show that certain population groups are more susceptible to unemployment than others.

By Age: Young persons with little work experience and persons with the least amount of education and training have the highest unemployment rates. About 840,000 or nearly 30 percent of the unemployed, were teenagers (16-19 years of age). Their unemployment rate was 13 percent--more than 3 times the overall rate of 3.8 percent. Persons 20-24 years of age accounted for another 510,000 of the unemployed, or one-sixth of the jobless total. The unemployment rate for this group was 5.7 percent, 1-1/2 times the national average. Offsetting the high jobless rates for youth are much lower unemployment rates for mature workers. In 1967, there were about 825,000 unemployed men aged 25 and over, and the jobless rate for this age group was only 2.0 percent. The comparable figures for women were 800,000 and 3.7 percent.

By Race: Unemployment rates for Negroes are much higher than those for whites. One-fifth of the unemployed (640,000) were nonwhites (about 92 percent of whom are Negroes). The nonwhite unemployment rate, at 7.4 percent, was more than double the white rate of 3.4 percent.

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[5] The Current Population Survey conducted by the Bureau of the Census and analyzed and reported by the Bureau of Labor Statistics provides monthly estimates of unemployment, labor force participation, and other relevant measures for many different population groups; annual averages of these monthly data show, for example, how many and what proportion of workers are unemployed in an average week.

The rates for nonwhite adult men and women were about double those for whites, but the nonwhite teenage rate (26.5 percent) was nearly 2-1/2 times the rate for white youngsters.

By Occupation: One's chances of being unemployed are also greatly affected by the kind of work one is trained to do. The highest incidence of unemployment occurred among unskilled nonfarm laborers. On the average 7.6 percent of this group was unemployed in 1967, twice the rate of the total labor force. The next highest unemployment rate--5.0 percent--was for semiskilled operatives. A third group of workers with relatively high unemployment was service workers, many of whom are unskilled or semiskilled; their rate was 4.5 percent. Skilled craftsmen, who require the longest training time among blue-collar workers, have an unemployment rate that is below average--2.5 percent. The rates for clerical and sales workers were just about 3 percent. Professional and technical workers and managers, officials, and proprietors had unemployment rates as low as 1 percent.

By Marital Status: Unemployment among married men was very low. Although the 685,000 unemployed married men in 1967 represented 45 percent of total male unemployment, their rate of unemployment was only 1.8 percent. Slightly more than 700,000 of the unemployed males were single men, and 121,000 were widowed, divorced, or separated. Among women, about 728,000 were married and 257,000 were widowed, divorced, or separated. About one-third of the unemployed women (484,000) had never been married.

By Educational Attainment: Although unemployment is not confined to persons who lack a high school or college degree, a close relationship exists between education and unemployment. For example, in March 1967, just over one-tenth of all unemployed persons had a year or more of college. The remainder were divided nearly evenly among three groups: those with an eighth grade or less education, those with 1 to 3 years of high school, and those with 4 years of high school. The unemployment rate was highest for high school dropouts--even higher than for those with only an elementary school education. Persons in the latter category tended to be mature workers who completed their formal education 10 years or more ago and had since acquired the skills and experience needed to obtain relatively stable jobs.

High school dropouts tended to be young; they had recently entered the labor force and were searching for acceptable employment, armed with few, if any, skills and with little or no work experience.

By Previous Work Status: Workers who had lost their jobs account for only a part of the unemployed. The unemployed also include both workers who voluntarily leave one job and look for another. Some are jobless because they have just entered the job market for the first time or after a period outside the labor force.

In April 1968, for example, less than half (44 percent) of the unemployed had lost their previous job; about 15 percent had voluntarily left their previous job and immediately had begun to look for another. Nearly one-third (30 percent) had reentered the labor market to look for a job, and 11 percent were persons who had never worked before.

Job loss, however, was the primary reason for unemployment among adult men 20 years of age and over; 6 in every 10 were out of work for this reason. Only 2 in 10 were entrants into the labor force--virtually all reentrants--and 15 percent had left their last job. By way of contrast, nearly two-fifths of all unemployed adult women were labor force entrants--nearly all reentering after a period of absence--and nearly three-quarters of the unemployed teenagers were labor force entrants.

Unemployment Throughout the Year [6]

The unemployment rates in an average week just described do not tell the full story of the impact of unemployment on people. A much more meaningful measure is work-experience data that show how many weeks or months workers were out of a job during the year. The amount and length of unemployment shown by these data make plain why the country needs large-scale training, education, counseling, and other programs aimed at equipping the hard-core unemployed for productive work and aiding their job adjustment.

Over 11 million American workers were jobless and looking for work at some time during the prosperous year

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[6] The Current Population Survey is the source of data on the employment and unemployment experience of the country's workers throughout an entire calendar year. This work experience information is collected once a year. It provides estimates of the total number unemployed for as long as a week at any time during the year, not merely the number unemployed in a particular week. And it shows the total number of weeks of unemployment experienced by workers during the year, either continuously or in different spells, whereas the monthly data on duration of unemployment show only the number of weeks workers were continuously unemployed up to the time of the survey.

1966. This was almost four times the average number unemployed in any one week of the year. The total number out of work during 1967 was probably somewhat higher. Great progress in reducing unemployment has been made, however, since 1961, when the current economic upturn began. During that recession year, about 15 million workers had periods of unemployment.

Joblessness had hard and unequivocal implications for the 2.7 million workers who were out of work for 15 or more weeks in 1966--over a fourth of the year. More than 1 million of these workers--in cities, towns, and rural areas across the country--spent half or more of 1966 jobless and looking for work.

The 3.4 million workers with 5 to 14 weeks of unemployment in 1966 may be regarded as an "in-between" group. For many of these workers--as well as for those with still briefer periods without work--unemployment was a transitional experience, often cushioned to some extent by unemployment insurance and other benefits. But this group undoubtedly included many workers for whom unemployment of 14 weeks, or even 5 weeks, had serious financial consequences.

Least hard hit by unemployment are workers who were jobless 4 weeks or less during the year. In 1966, 45 percent of the unemployed were in this group. Presumably, unemployment for many of these workers was due largely to voluntary job changes, some delay in finding work upon entry or reentry into the labor force, and the usual seasonal layoffs. Many secured jobs without outside help. And for those who sought or needed assistance through manpower programs, this help was limited in most cases to job placement services.

These data concerning workers and the weeks of unemployment they experienced throughout the year provide by far the best picture of the impact of joblessness on individuals and of the magnitude of the groups most subject to unemployment and most likely to need training or other manpower services. The low rate of unemployment in an average week among men in the central age groups, who are generally the most employable and have the heaviest family responsibilities, sometimes creates a sense of complacency about the training and employment needs of this group. Such complacency is ill-founded. Clearly, the number of men of prime working age who are affected severely by joblessness is much higher than is indicated by the monthly unemployment data. And, to a lesser degree, the same is true for women. Close to 1.3 million men aged 25 to 44 had 5 or more weeks of unemployment during 1966, almost 6 times the number (226,000) shown by the monthly surveys. For men of this age group out of work 15 to 26 weeks, the differential between the two estimates was even greater (more than sevenfold or 342,000, compared with 48,000).

With respect to the groups most affected by unemployment—the young, the poorly educated, the unskilled, older workers, and minority groups—the unemployment data based on experience during the year as a whole tell roughly the same comparative story as do the monthly estimates. However, the incidence of extended unemployment is shown to be greater in all groups than is suggested by the monthly figures for these groups.

The widely noted 2-to-1 ratio in the extent of unemployment between nonwhite and white workers is borne out once more by these data. About 12 percent of all nonwhite workers had 5 weeks or more of unemployment in 1966, compared with 6 percent of all white workers. Most seriously affected were the nonwhites who were unskilled laborers—1 out of every 5 was unemployed for 5 or more weeks during 1966.

The major achievements of the past 5 years in reducing unemployment—particularly long-term unemployment—must not be lost sight of, however. Despite very large additions to the work force between 1961 and 1966, the proportion of workers unemployed for 5 or more weeks of the year was cut nearly in half. The general expansion in employment--aided by training and other programs focused on workers with persistent difficulty in finding jobs--brought an even sharper drop in the proportion of workers unemployed 15 weeks or more (from 6.3 percent in 1961 to 2.8 percent in 1966). The improvement was sharpest in the proportion unemployed 27 weeks or more (from 2.8 to 1 percent). Both white and nonwhite workers benefitted from this reduction in extended unemployment.

The proportion of workers experiencing repeated spells of joblessness has also dropped significantly. In 1961, 6.2 percent of the work force had two or more periods of unemployment during the year; by 1966, the figure had fallen to 4 percent.

Nevertheless, the proportion of workers with repeated spells of unemployment did not decline as much, in relative terms, as the overall proportion of workers with many weeks of joblessness. This statistical finding has both economic and policy significance. The improvement in economic conditions, reinforced by manpower programs, has been particularly effective in reducing the number of workers continuously unemployed for long periods; it has, for example, made it much easier for displaced workers to find new jobs. But apparently there has been less progress in reducing irregular employment of unskilled workers or in mitigating seasonal layoffs.

Most workers who experience extended unemployment are out of work two or more times during the year. Of the men out of work 15 or more weeks in 1966, 7 out of every 10 were unemployed at least twice during the year. These findings underline the need for enlarged efforts to enable the chronically unemployed to qualify for and obtain jobs that promise continuity of employment. There is also a need to explore ways of helping these workers to keep the jobs they get.

Unemployment in Poverty Neighborhoods

Just as unemployment is concentrated among certain population groups, it is also concentrated in certain geographic areas. The following data, recently released by the Bureau of Labor Statistics, relate to poverty neighborhoods in the Nation's 100 largest standard metropolitan areas taken as a whole.

The 6.6 million workers (16 years of age and over) living in big-city poverty neighborhoods had a jobless rate of 7.0 percent in the first quarter of 1968. Their rate was twice that of persons living in the other urban neighborhoods (3.4 percent) and was also much higher than for the Nation as a whole during the quarter. Significantly, the widest gap in unemployment rates between poverty and other neighborhoods was for adult males--5.5 percent compared with 2.3 percent. Teenagers in poverty areas also fared poorly; one-fifth were jobless in the poverty neighborhoods, compared with one-ninth of the teenagers in the other areas.

About 15 percent of the Nation's unemployed workers lived in poverty neighborhoods of large cities in the first 3 months of 1968. Reflecting the disproportionate concentration of Negroes in these neighborhoods, about half of the unemployed were nonwhite.

Negroes had higher jobless rates than whites in both the poverty and other urban neighborhoods. In poverty neighborhoods, the rate for Negro men was 6.3 percent, compared with 5.0 percent for white men. (It was 4.2 versus 2.2 percent in the other neighborhoods.)

Poverty neighborhood dwellers not only had a higher incidence of joblessness but were more likely to have menial, low-paying jobs when working. Over half the employed poverty area workers were in semiskilled, unskilled, and service jobs, compared with 35 percent in the Nation as a whole. The concentration at the lowest end of the occupation scale was especially marked for Negroes in poverty neighborhoods.

The Underemployed

Training and other manpower policies are and must be concerned with more than long-term unemployment. Individuals who chronically are able to get only part-time jobs or irregular work are likely to be worse off than many workers with even fairly extended periods of joblessness. People so discouraged or alienated that they were not even looking for work may well be in the worst situation of all.

Part-time employment of workers desiring full-time jobs, which also can be thought of as part-time unemployment, is the most easily measurable form of underemployment. Workers with jobs below their educational or skill level are another significant group of the underemployed. For example, persons with a college education who are working involuntarily in relatively low-skilled jobs because of a lack of suitable employment opportunities or because of discriminatory hiring practices are underemployed. Another example is laid-off miners who are working as subsistence farmers. However, the definition and measurement of this group involve difficult theoretical and practical problems. Much further work will be required before the numbers and kinds of workers involved in this waste of skills can be determined.

About 2 million workers were on part time for economic reasons in an average week of 1966. The curtailment in employment and earnings opportunity for these workers was sizable. On the average, they were able to get only about 20 hours work per week. A bare majority of these workers were usually employed full time but were temporarily on part time, most often because of slack work. Nearly a million, however, were able usually to obtain only part-time work, for reasons shown in the following tabulation:

Economic reasons for part-time work	Number of workers on part time for economic reasons, 1966		
	Total	Usually work full time	Usually work part time
		(000's)	
Total	1,960	1,009	951
Slack work	881	710	171
Material shortage . .	27	26	1
Repairs	34	34	--
New job	177	160	17
Job ended	74	62	12
No full-time work available	766	16	750

Most persons who normally work only part time are in trade and service industries, including household employment. The majority are women. Among the part-time workers who usually work full time, however, the majority are men, and more of them are in manufacturing than in any other major industry group. Nonwhite workers are disproportionately affected by part-time employment, as by total unemployment. They are entrapped particularly often in chronic part-time work, mainly in service jobs.

The Nonparticipants

Many people who are neither working nor seeking work want and need jobs.[7] Evidence to this effect has accumulated in recent years. For example:

—The proportion of men below normal retirement age who are out of the work force has been rising, especially among nonwhites.

—The high proportion of youth in slum areas who have dropped out of school are neither working nor seeking work.

—A higher proportion of persons with limited education are out of the labor force, compared with persons with more education.

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[7] Such persons are not counted among the unemployed, nor are they considered to be part of the labor force.

—A large number of older workers--including many with retirement benefits--both need and wish to continue in paid employment.

—Many women who need to work, either to support themselves and their families or to supplement their husband's income, report they cannot do so for lack of child-care facilities.

—Illness and disability prevent many persons from working at many physically demanding jobs and sometimes keep them from working at any job. Long-term disabilities also tend to discourage persons from even looking for work.

To get more definite information on how many people not in the labor force want to work and the reasons why they are not seeking jobs, the Department of Labor made a series of special studies. The most comprehensive of these studies showed that in September 1966, 5.3 million men and women— 1 out of every 10 in the labor force— said they wanted a job. The other 9 out of 10 said they did not desire a regular job. The information obtained from the latter group, however, did not permit probing into the conditions under which they might consider working nor into their possible need for additional income.

When those desiring work were asked why they were not looking for jobs, the reasons most often cited were ill health, school attendance, family responsibilities, or belief that they could not find jobs. Presumably, the impediments to jobs could be overcome for many of these people by better health care, arrangements for child care, school-work programs, referral to suitable jobs, and other services.

The three-quarter million people—over 250,000 men and nearly 500,000 women—who were not looking for work because they believed it would be impossible to find are probably the group of greatest concern from the viewpoint of manpower policy. Presumably, they had given up the search for work after fruitless and discouraging job-finding efforts. In addition, nearly as many women cited inability to arrange for child care as the specific reason why they were not looking for jobs.

It is also significant that close to 400,000 of the group not looking for work because of ill health or physical or mental disabilities said they would take part-time or light work if it were available, or said they would seek work when their health improved.

The most recent survey regarding persons not in the labor force was taken as part of the Current Population Survey for the week ending February 18, 1967. Of the 2.3 million men 20 to 64 years old who were not in the labor force in that week for reasons other than going to school, about 900,000 or 4 out of 10 could be potential additions to the labor force. About 470,000 were only temporarily out of the labor force and planned to return on their own initiative in a short time. Another 430,000 were potential recruits, since they wanted to work and were out of the labor force for a variety of reasons; of these, 140,000 would need special job arrangements to accommodate a medical condition. Poor health is by far the most important factor which prevents men in the prime working ages from participation in the labor force. Many of the other men who reported they "wanted a job now" could be considered "discouraged" workers. About 13 percent of the men who wanted a job said they were not looking for work, because they could't find work, and about the same proportion reported lack of education or training, no transportation to available jobs, or that they were too old.

Shortages in Specific Occupations

While there are thousands of job vacancies among the Nation's employers, a high percentage of them remain unfilled for only a short period. Employers fill them either by upgrading people already on their own payrolls or by hiring persons who were unemployed, not in the labor force or employed by other firms. In recent years, however, there have been chronic shortages in such occupations as engineers, draftsmen, health service workers, tool and die makers, machinists, electricians, and computer programmers. No regular statistics on job vacancies are available in the United States, although the Department of Labor and State employment service agencies have had some experiments to collect vacancy data by occupation. Some data are available from State employment service agencies; they are based on unfilled job orders from the employment service offices and assessment of employment trends by local labor market analysts. A periodic "roundup" of occupational demand-supply information has been made by the Department of Labor to indicate shortages in particular geographic areas.

Future Training Needs

The magnitude of the Nation's training needs is illustrated by projections of the number of new workers who will be entering the labor force in the years ahead. By the end of the 1970's about 100 million persons will be in the labor force, compared with about 82 million at present. During this 12-year period, about 40 million new young workers will enter the job market. In addition, about 4 million women will be expected to reenter the labor force, expanding labor force entrants to roughly 44 million. At the same time, about 26 million persons will be leaving the labor force because of retirement, death, marriage, child-bearing, etc.

A labor force balance sheet through the 1970's looks roughly like this:

	(millions)	
Number of workers in 1968 (total labor force)		82.3
Subtract:		
Withdrawals from the labor force because of death, retirement, marriage, childbearing, etc.	-26.3	
1968 workers still in the labor force in 1980		56.0
Add:		
Young workers (age 16-29) coming into the labor force through the 1970's	+39.7	
Women returning to the labor force through the 1970's	+ 4.2	
Number of workers in 1980		99.9

A great many of the 40 million new young workers entering the labor force will need training, orientation, safety instruction, and a variety of supportive services to help them in the transition from school to work. It is encouraging to note that these new young entrants will be better educated than any similar group in the past. It is estimated that about 80 percent of them will have completed at least high school, one-third of them will have had some college education, and one-fifth will be college graduates. Nevertheless, about 8 million of them, one-fifth of the total, will have dropped out of school before completing high school. Many of the dropouts may need remedial preemployment assistance to make them employable in our increasingly more complex world of work. Many of the more than 4 million women returning to the labor force also will need training or retraining to qualify them for employment. In addition, there will continue to be a great many other adults, especially in urban ghettos, who will be needing training and supportive services.

Not only will great numbers of workers need to be trained in the years ahead but the skill levels required by the Nation's employers will be rising. In general, employment growth will be fastest among those occupations requiring the most education and training to enter. Projections of occupational requirements developed by the Bureau of Labor Statistics indicate an increase of about 28 percent in the need for white-collar workers between 1966 and 1975.[8] Among white-collar occupations, the most rapid increase in requirements will be for professional and technical workers. Manpower requirements in this occupational group may grow twice as rapidly (38 percent) as the average for all workers (20 percent). Requirements for both managers and officials and clerical workers also are expected to increase rapidly, by nearly one-fourth, and the need for sales workers should rise by more than one-fifth. Requirements for blue-collar workers are expected to rise by 11 percent between 1966 and 1975. Among blue-collar workers, the most rapid increase in requirements will be for craftsmen (19 percent)--about the same average increase projected for employment as a whole. Requirements for operatives will increase more slowly (8 percent), and little change is expected in the demand for laborers. The need for service workers is expected to rise by nearly one-third.

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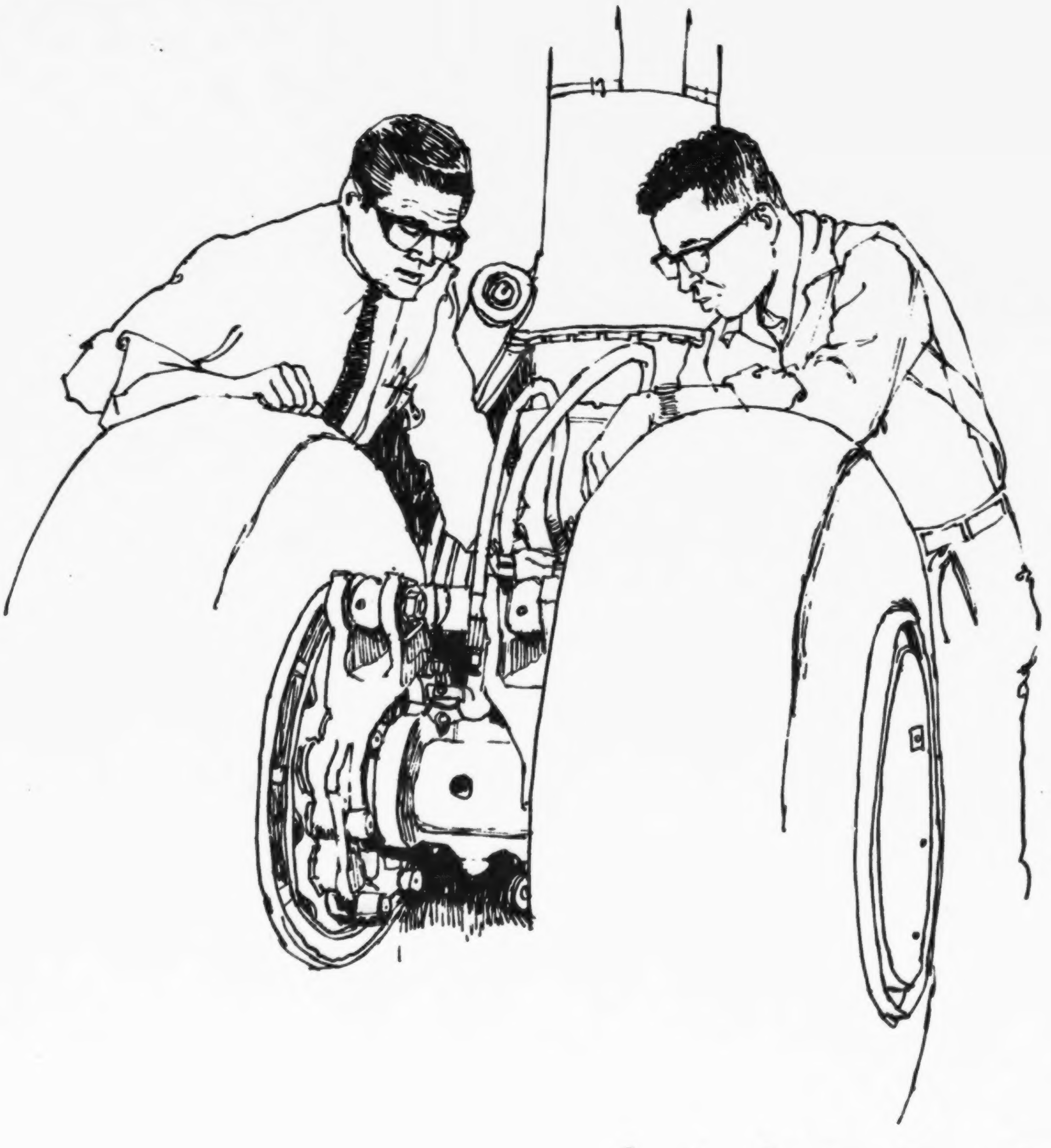
[8] These projections assume a 3-percent unemployment level in 1975.



b. industry's role in occupational training

B. Industry's Role in Occupational Training

It would be misleading to suggest that the current and prospective manpower problems cited in the previous section can be met and overcome through occupational training alone. Training is only one means, along with education, employer recruitment policies, occupational information programs and other aspects of job market operation, of meeting the staffing requirements of industry and the employment needs of individuals. For most jobs, however, training in some form, is indispensable. And since specific work preparation generally occurs within the place of employment itself, training in industry is and will be a key factor in the Nation's success or failure in meeting its manpower problems.

Most American workers below the professional level learn the skills required for their jobs at the worksite; this training is often unstructured and informal. Other workers acquire their skills in formal programs conducted in schools and in various other institutional settings. Many are trained through a combination of informal and formal methods. When viewed in the aggregate, however, it is clear that training within industry—ranging from the most casual form of "pick-up" training to highly structured apprenticeship programs—accounts for the largest part of the Nation's skills training. The growth in manpower requirements in the years ahead suggests a need to expand further industry's contribution to the training of the work force. More formal, structured skill development programs in industry may be necessary to meet changing occupational needs. In addition, increasing public concern with the employment problems of disadvantaged and the persistence of hard-core unemployment are also likely to affect the nature of industry training programs.

This section will summarize, in broad outline, the information reviewed by the Task Force concerning the present configuration of training in American industry. Current, comprehensive data are lacking on the extent and scope of occupational training within the private sector. This section relies principally on the surveys conducted by the Department of Labor within the past 5 years as well as on other recent studies of limited scope. The discussion will include: the forms of industry training, the significance of such training in specific industries and occupations, employers' training costs, and recent and prospective trends in private industry training programs.

Forms of Training

Formal Programs[9]

Formal occupational training programs in industry have played a relatively limited role in the training of American workers who have less than a college education. In April 1963, the Department of Labor conducted a nationwide survey to determine how noncollege-graduate American workers have learned the skills needed for their present occupations.[10] Only 30 percent of the workers canvassed indicated that they had learned their current jobs through formal training programs, i.e., in schools of all kinds (including full-time company training schools of at least 6 weeks' duration), apprenticeship, and the Armed Forces.[11] It should be emphasized that "formal" training in this survey was narrowly defined—being limited almost exclusively to training involving a substantial amount of classroom instruction. The survey found that a larger proportion of workers—approximately 56 percent—had learned their jobs through on-the-job training.

Owing to the limited sample size, it was not possible to determine what proportion of the workers surveyed learned their jobs specifically in formal industry programs. However, information on the nature and extent of industry's formal training programs was developed in a survey of employers conducted a year earlier by the Department of Labor.

The 1962 employer survey indicated that formal industry training programs were conducted in a relatively small proportion of the Nation's establishments: only 1 of every 5 establishments sponsored some type of formal training and only 7 percent of the workers in the establishments surveyed were actually enrolled in one or more industry training programs at the time of the survey. Of the persons enrolled in industry training programs, only about 40 percent were taking courses designed to provide substantive skills; approximately one-half were receiving safety training; and about 8 percent were enrolled in general orientation programs. In the area of substantive skills training, the largest groups of workers were enrolled in courses in administrative and supervisory practices (10 percent), sales training (7 percent), and instruction in some aspect of the skilled trades (6 percent).

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[9] Except where noted, this section is based on Training of Workers in American Industry (Washington: 1964), a report on a nationwide survey of employers conducted by the U.S. Department of Labor in the spring of 1962 to provide information on employer-sponsored formal training programs. The survey, noted as "the 1962 survey" in this chapter, defined formal training as "any prearranged formal system of instruction sponsored by the employer or by employer-union agreement and designed to better equip employees to perform their current or future job duties."

The establishments surveyed employed approximately 37 million workers or slightly more than half of total employment in 1962. A total of 2.7 million employees--about 7 percent of all employees in the establishments surveyed--were enrolled in one or more programs at the time of the survey. When counted in each program in which they were enrolled, they represented a total of 3.6 million trainees. These data refer to persons in training at a particular point in time—the day in spring 1962 on which the employer completed the survey questionnaire. The cumulative total of persons enrolled in training programs at any time during a given period would be substantially higher.

[10] Formal Occupational Training of Adult Workers (Washington: 1964) The primary focus of this survey was the training background of workers between the ages of 22 and 64 who had completed less than 3 years of college. This survey is referred to as "the 1963 survey" in this chapter.

[11] These findings may understate to some extent, however, the role of formal training during a person's worklife, since respondents were asked how they had learned their current job rather than how they learned their occupation or an earlier job from which they may have progressed.

The likelihood of a firm's providing formal training programs varied directly with its size. Only 11 percent of the smallest establishments, as contrasted with almost all of the largest establishments, sponsored some type of training. Goods-producing industries more often provided training than service industries: 55 percent of workers in training were employed in goods-producing industries (mostly in manufacturing) and 45 percent were in service industries.[12]

Informal Training

Although the number of formal, structured industry training programs appears to be small and of limited significance in the total training system, employers remain the principal source of skills development. For the majority of workers, as has been noted, learning job skills appears to be an informal process which takes place largely within the work environment.

Most adult workers surveyed in the 1963 study reported that they had developed the skills for their current jobs through informal on-the-job training and experience or had "just picked up" the necessary skills. Some workers reported a combination of one or the other of these methods with formal job training as the means by which they had learned their jobs. Thus, the survey data on ways of learning overlap:

—8 percent of the workers surveyed indicated that no training was needed for their current jobs.

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[12] Agriculture, railroads, public schools, and other Government establishments were excluded from the survey.

—56 percent reported they had learned their jobs through on-the-job training. This training included instruction from supervisors or fellow workers, "working their way up," and company training courses (part-time or full-time for less than 6 weeks).

—45 percent reported "casual" learning. In this category were learning from a friend or relative, "just picked it up," and other such answers.

—Approximately 30 percent of the respondents said they had learned their current job in apprenticeship and other formal training programs.

The relative significance of informal and formal training methods varies considerably by occupation; formal training programs are more frequent in higher-level occupations involving more complex skills.

Little is known about the important area of informal occupational training. Beyond the 1963 Labor Department survey discussed above, there appear to have been few other attempts to quantify these significant but elusive training processes. Some insight into the nature of these processes was provided, however, in a recent study of the mechanisms by which 20 manufacturing plants adjust the available labor supply to the requirements of blue-collar manufacturing jobs.[13] The study concluded that "the variable which appears to carry the major burden of adjustment is in-plant training, although recruitment, screening and hiring procedures are also relevant." It was also concluded that this in-plant training—at least for the blue-collar production and maintenance jobs covered by the study—was predominantly "a process of informal training on the job in the process of production." The authors' description stresses the completely unstructured nature of this process:

> In-plant training in these plants took a variety of forms, and any single job was taught differently at different times in the same plant. But the predominant pattern—and the one which appears to be most critical in adjustment to changing technology—was a process of informal training on the job in the process of production. The typical worker in the manufacturing sector just "picks up" his skills by what one observer has termed a process of "osmosis."
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> For relatively simple operating jobs, new workers receive a brief job demonstration and

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[13] Internal Labor Markets, Technological Change, and Labor Force Adjustment. Peter B. Doeringer and Michael J. Piore (Cambridge, Mass., October 1966, mimeo.).

are then placed directly on the machine. As they begin to produce on their own they are corrected by the foreman or by neighboring operators, and, in this way, acquire speed and accuracy. On complex jobs, particularly in maintenance and repair, the novice may serve as an assistant to an experienced employee whom he eventually replaces. Sometimes the position of assistant is a regular job, part of the normal staffing pattern. In other cases, it is a trainee position, not otherwise filled. In still other cases, training takes place along a promotion ladder: work on lower level jobs on this ladder develops skills which are a prerequisite for learning the more complex skills required on the jobs higher up the ladder. Alternatively, workers in a department frequently learn other jobs by observing their neighbors and by practicing on, or "playing around with" the equipment during their lunch hour so that, although the jobs within the department are not skill related, the ability to perform a given job is related to the length of time the worker remains in the department. Job skills are also acquired during temporary work assignments: an inexperienced man may, for example, stand in for the regular incumbent when the latter is temporarily forced to leave his station and for more extended periods when the incumbent is late, sick, or on vacation.

Despite such diversity, all of these training patterns have three common features which make it useful to analyze them as a group: 1. the training takes place on the job; 2. it occurs in the process of production; and 3. it is highly informal. The informality of the training procedures in the plants visited was particularly striking. Job skills were communicated orally and through demonstration and were learned by practice and repetition. The larger plants in the sample had written job descriptions, but these were designed for use in wage administration and in recruitment and screening. They were seldom, if ever, referred to in the actual training. And even in wage administration and hiring, they appeared to serve only as guideposts. During the interviews, managers continually paused to reinterpret them, adding phrases, interpolating words, and so on. An uninitiated worker, reading the description without ever having seen the job performed, would find little to help him actually do the job.

Instruction manuals were also conspicuously absent. In those plants where they existed, they were used as maintenance guides, apparently designed for those already familiar with similar pieces of equipment and the specialized vocabulary associated with them.

In short, the jobs exist only as work performed on the plant floor; continuity of job activity, from one generation of employees to another, is achieved through a process of direct transmission, orally and by example, from the incumbent to his successor. Thus the incumbent serves as teacher and his eventual replacement as student.

Training in Specific Industries

Industries employing high proportions of blue-collar workers were found to account for most of the formal occupational training in the private sector, according to the 1962 survey. Workers in manufacturing—largely in durable goods—represented 46 percent of all employees receiving formal training; firms in transportation, communication, and public utilities employed the second largest proportion—16 percent—of trainees.

Even though the manufacturing and transportation, communications, and utilities industry groups apparently have the largest number of workers in formal training in the Nation, some other smaller industries actually report training in a higher proportion of their establishments.

Two industries employing largely white-collar workers had the highest proportions--financial, insurance, and real estate services (34 percent) and retail trade (27 percent). Almost 25 percent of the establishments in contract construction and an almost equal proportion of establishments in miscellaneous services indicated that they conducted training for employees.

The current sense of urgency about the necessity of training to meet our growth needs is reflected in the fact that industries with a heavy involvement in training are among the most rapidly growing industries in the economy as the following tabulation indicates:

Industry Division	Percent of establishments with training programs	Percent of employment growth projected, 1965-75
All industries	20	25.0
Mining	17	-1.9
Contract construction	24	31.5
Manufacturing	17	9.2
Transportation, communication, and public utilities	18	13.5
Finance, insurance, and real estate	34	23.2
Retail trade	27	27.4
Wholesale trade	14	24.8
Services (other)	23	42.5

In reviewing business and industry training programs, the Task Force was interested in the prevalence of job ladder arrangements and the extent to which such systems of occupational progression can be introduced within firms in conjunction with skills training programs.

Job ladder policies are well developed in certain industries. In the steel and petroleum production and refining industries, firms develop most of their blue-collar skills, including maintenance and repair skills, internally through upgrading. Also, in the public utilities--electric, gas, and telephone industries, for example, inexperienced workers are hired and trained to move up the industry's job ladder.

In other industries, the ladder policy is not so clearly articulated, but movement up the occupational scale is both possible and customary; in many factories, workers may move from the operation of a simple machine to increasingly complex ones, or they may complete apprenticeships to qualify for skilled jobs.

The Task Force concluded, however, that there are significant opportunities for further extension of the job ladder concept and that Government should promote actively the installation of these arrangements in industry. Health services, an industry that suffers from severe occupational shortages, offers particularly great potential for the effective installation of job ladders. Installation of occupational progression arrangements may be feasible in other industries which currently lack such arrangements. Job ladder policies would be adaptable primarily to those industries which encompass a broad number of occupations of different skill levels and in which large establishments predominate.

Training in Specific Occupations

As one would expect, formal training is reported most frequently by workers at the top of the job ladder. For example, the 1963 survey indicated that nearly two-thirds of professional and technical workers had learned their jobs through formal training--and, it will be remembered, none of these workers was a college graduate. Especially high proportions of draftsmen and professional nurses reported learning through formal training.

Clerical workers were the only other occupational group in which a majority of the workers reported they had learned their jobs through formal instruction. This also was to be expected, since the group includes such occupations as secretary and stenographer, in which formal training is usually necessary for entry. Most workers in the two remaining white-collar groups—sales and managerial—reported learning their work without formal training.

On the other hand, only about 40 percent of the craftsmen and kindred workers said they had learned their current jobs through formal training, including apprenticeship. Electricians, sheet-metal workers, plumbers and pipefitters, compositors and typesetters, tool and die makers, machinists, airplane mechanics, radio and television mechanics, and utility linemen and servicemen most frequently reported learning their present job through formal training. Carpenters and painters reported formal training fairly infrequently, as did foremen and heavy construction workers and bakers.

Among factory operatives (semiskilled workers), only 1 in 8 said he relied on formal training. Among the service workers, about one-fourth had used formal training to learn their jobs. Especially high proportions of barbers and hairdressers, health personnel, and policemen and firemen had been formally trained.

It is thus clear that formal occupational training programs assume greater importance as one proceeds up the occupational ladder to the more complex occupations. Even within occupational categories, higher level specialties require more formalized instructional programs than less skilled trades. Frequently, because the highest level skills are also those in short supply, industry is obliged to train its own workers in these occupations.

A recent study of training in the metalworking industry, for example, pointed up the relative importance of formal, in-plant training in rapidly growing, high-level skills;[14] a far higher percentage of persons were enrolled in apprenticeship and other company-sponsored training programs in such high demand, technologically complex occupations as tool and die maker, electronic technician, and maintenance electrician than in lower demand occupations such as millwright and welder.

Engineering and science technicians are among the highest skilled nonprofessionals in the work force and are also among those in most limited supply. A study by the Department of Labor estimated that three-fourths of the new technicians in 1963 acquired their skills in industry technician training programs--mostly through upgrade training that integrated academic training with extensive training on the job.[15]

Training Costs

The lack of comprehensive data on employer expenditures for training is one of the most significant gaps in information on training in industry. Few employers apparently maintain comprehensive records on the various expenses incurred by their firms in providing occupational training. In 1966, the Department of Labor conducted a pretest of a proposed survey of manufacturing industry expenditures for formal training and concluded that incomplete employer records on this activity made a full-scale survey infeasible.

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[14] The Scope of Industrial Training in Selected Skill and Technical Occupations, Stanford Research Institute, October 1966.

[15] Technician Manpower: Requirements, Resources, and Training Needs, Bureau of Labor Statistics, U.S. Department of Labor, June 1966, pp. 37-39.

In the absence of other data, the Task Force reviewed the rough estimates of training costs which have been developed in recent small-scale surveys. These data should be used with caution, however, and suggest only rough orders of magnitude.

In a survey of 210 New England manufacturing firms[16] conducted in 1963 by the Federal Reserve Bank of Boston, employers were asked to estimate costs for four types of training: orientation training, on-the-job training, apprenticeship programs, and out-of-company training. The training cost estimates covered salaries of instructors, costs of materials, costs of maintenance of equipment, and wages of trainees not offset by value of production. Costs of upgrading employees already on the payroll as well as training new hires were included.

The survey revealed considerable variation in training costs among industries. For example, firms in the fabricated metals industry indicated that they spent, on the average, over $1,000 per worker trained, while firms in the electrical machinery industry said they spent less than $270 per worker. The study concluded that these cost differentials reflected to a great extent the complexity of the skills involved: the more complex the skill, the greater the value of equipment and supplies, the cost of maintenance and repair of equipment, the salaries of instructors, and the length of required training. An added cost factor is that at the higher skill levels, trainees spend more of their time in training and less in the production process where the value of their production would offset their wages, as well as the other costs of training.

That costs rise with the skill level was borne out by the survey's finding that training costs are highest among industries that have a high proportion of their work force in professional and craft occupations. The printing industry, for example, with the second highest share of these high level occupations, had the highest average cost per worker trained among the New England region's major industries. This relationship existed in part because industries with high skill levels also had relatively high wage and salary levels. Since the salaries of instructors are a significant part of total training costs, these costs are higher in industries with high skill concentrations. This relationship also held at the lower end of the scale. For example, New England's apparel industry, a relatively low wage industry with a small proportion of professional and craft workers, had a low average cost per worker trained.

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[16] "Industrial Investment in Manpower," New England Business Review, February 1964.

In 1965 and 1966, the National Industrial Conference Board (NICB) conducted an experimental survey[17] of the costs of hiring new workers which reported that for all industries and occupational categories, wage or salary payments to trainees not offset by value of production was by far the most significant training expense.

Recent Trends

The level of occupational training in industry is responsive to a variety of economic and job market factors. It appears that the increasing importance of several of these factors in recent years has resulted in an expansion of industry training programs.

Shortages of trained personnel in specific occupations are prime motivators for the initiation of company training courses. In 1965-66, for example, shortages appeared in a variety of skilled craft occupations. A marked rise in the number of apprentices registered with the Department of Labor or cooperating State apprenticeship agencies during 1965 and 1966 signified that employers were responding to these manpower stringencies, in part, by establishing in-plant training programs. Apprenticeship registrations increased greatly in such demand occupations as machinist and tool and die maker.

In surveys of New England manufacturers conducted by the Federal Reserve Bank of Boston,[18] it was determined that these employers were training 18 percent more of their work force in 1965 than in 1962, yet total manufacturing employment in New England increased only 1 percent during this period. A sharp upturn in labor turnover associated with a tightening job market was reported to be an important factor in this significant expansion of training activity. Other factors, such as the introduction of new technology, may also be involved in the expansion of industry training. The survey also concluded that the need to train workers in the use of new equipment and machinery was a major factor in the recent expansion of in-plant training programs in the New England area.

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[17] "Hiring Costs: Some Survey Findings," The Conference Board Record, January 1967.

[18] "Industrial Training and the Business Cycle," New England Business Review, September 1966.

While there has been no systematic tabulation of the kind of workers industry is training today, it is generally agreed that business and industry have significantly enlarged their training of disadvantaged and hard-core unemployed persons in the population during the past few years.[19] Members of the Task Force visited several of these training programs established in recent years by such major corporations as the Ford Motor Co., Michigan Bell Telephone, Eastman Kodak, Xerox, John Hancock Life Insurance Co., and the KLH Research and Development Corp.

The establishment of these programs for workers who normally would not meet industry's hiring requirements has been, in part, a function of the labor shortage situations which have emerged during the past 3 years. Employers also increasingly are aware of the urgent social problems posed by the concentration of hard-core unemployment and under-employment in the urban ghettos and in many of the rural areas of the United States. With the added impetus of the current Federal programs to promote industry training of the hard-core unemployed, it is likely that employer involvement in the training of the disadvantaged will continue, at least in the immediate future.

A Look at the Future

The role to be played by industry's occupational training programs in meeting future manpower requirements is still evolving. The factors which led to heavier industry involvement in training in recent years--accelerated demand for highly skilled workers, changing technology, the special training needs of disadvantaged groups in the population--will undoubtedly influence the shape of industry training programs in the coming years. Present informal and casual training arrangements in industry are likely to become increasingly inadequate as a source of work skills. Employment growth, as has been noted, will be concentrated at the upper end of the skill ladder. It is in these higher-level occupations--technician, clerical, and skilled craft positions--that formal industry training programs have been most significant in the past; as these occupations become increasingly complex, formal training is likely to become more essential. It is in these same occupational categories, as this discussion has indicated, that the costs of training to the employer are likely to be the highest. These costs will be still higher where employers, because of manpower shortages or social imperatives, upgrade present employees to these higher level occupations to make room for less qualified new hires and are obliged to provide training and supportive services to prepare disadvantaged persons with limited educational backgrounds for entry jobs.

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[19] See, for example, "Business Can Live with the Labor Shortage," Fortune, May 1966; "How Business Employs the Unemployable," Nation's Business, January 1967; "Business and the Urban Crisis: A McGraw-Hill Special Report," Business Week, February 3, 1968.

The Task Force recognizes that training programs in the public sector will continue to play a significant role in providing the skills of the work force.[20] It seems clear that industry's role as the major supplier of work skills will not be diminished in the years ahead.

This view was expressed in an analysis by a distinguished observer of the manpower scene on the major new influences that will shape our economy in the years ahead:

> . . . The experience of 1966 and 1967 and the new relationship between economics and policymaking tempt us to assert that the economy has now achieved a stable new plateau of growth with an unemployment rate of 4 percent, heading toward 3.5 percent or below . . .
>
> A high unemployment economy requires a very much larger attention to training of manpower primarily by management but also by organized labor and by government. It is not adequately recognized that business enterprises are in the educational business, training and developing the general and specific skills of a work force. These activities apply to production and maintenance workers, clerical employees, as well as professional and managerial groups. The reference here is not to financial support of education or payment for courses in educational institutions. Rather, the point is that a business enterprise is not merely producing goods and services; it is also in the business of developing and training the skills and capacities of its work force. This education is a joint output with production.
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> . . . A continuing high-employment economy is one in which enterprises spend significantly more on training and manpower planning and development and is also one in which these activities are more highly related to the success of the enterprise . . .[21]

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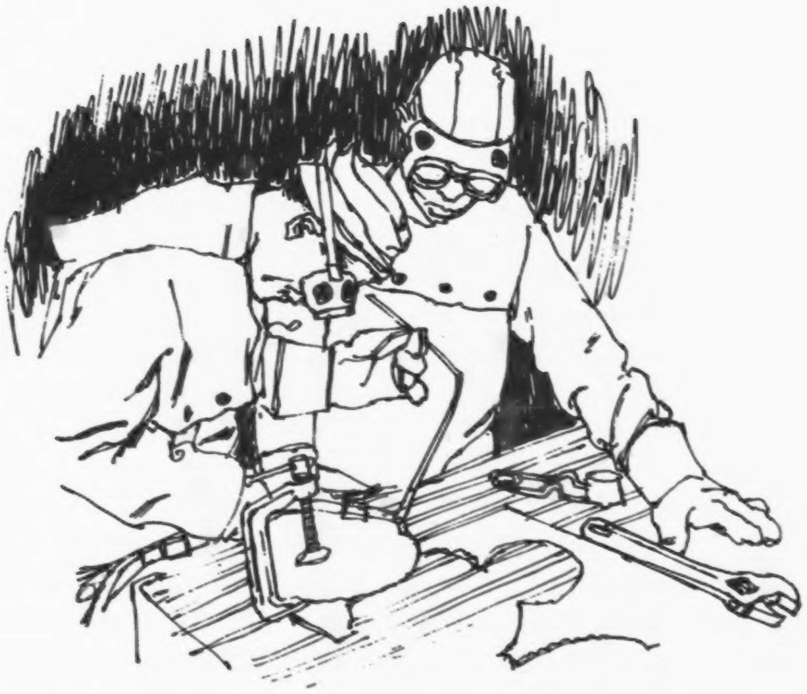
[20] For a discussion of the school versus the workplace as training institutions, see Dr. Garth Mangum's paper "The Rationale for a Public Policy Toward Training in Industry," Volume II, Appendix A.

[21] John T. Dunlop, "New Forces in the Economy," Harvard Business Review, March-April 1968, pp. 123-124.



c. federal programs to support training in industry

C. Federal Programs to Support Training in Industry

The Federal Government's longstanding participation in the occupational training of the American work force has evolved steadily over the years. The passage of landmark legislation, usually during critical periods in our history, has shaped an expanding Federal role in this area. This development was marked by the establishment of the system of land-grant colleges during the Civil War, by Federal aid to vocational schools begun in 1917, and the massive program of educational assistance provided to veterans by the GI Bill of Rights at the end of World War II.

Following World War II, national concern with the overriding importance of balancing people and jobs led Congress to adopt the Employment Act of 1946, which called upon the Government "to promote maximum employment, production and purchasing power." This Federal commitment to full employment laid the basis for the major expansion of the Federal Government's role in occupational training which took place during the 1960's. During the early part of this decade, concern over high levels of unemployment in certain geographic areas and the threat that changes in technology and job requirements would result in loss of employment among experienced workers led to the passage of the Area Redevelopment Act in 1961 and the Manpower Development and Training Act (MDTA) in 1962. Later in the decade, as the Nation approached the goal of full employment, attention turned to the persistence of hard-core unemployment among the impoverished and disadvantaged groups in the population. This concern led to the establishment of the antipoverty program under the Economic Opportunity Act and to a major reorientation of the MDTA toward the training needs of the disadvantaged.

More recently, a trend has developed toward greater involvement of private industry in Federal training programs. The success of these joint Government-industry efforts was an important factor in the formation of this Task Force to consider the future direction of Federal policy with regard to training in industry.

Thus, while the Task Force reviewed federally supported training programs in general, it concentrated on those programs specifically designed to assist and stimulate training by private employers. This section of the report will describe briefly the programs involving industry training that were reviewed by the Task Force.

Federal Apprenticeship Program

One of the earliest links between the Federal Government and private industry training programs was the Federal apprenticeship program established by the National Apprenticeship Act of 1937. Under this program, the U.S. Department of Labor has been engaged in stimulating and assisting employers in the development, expansion, and improvement of apprenticeship training--a system of training which combines theoretical and on-the-job instruction to prepare well-rounded journeymen in the skilled crafts.

The Federal Government's role is exclusively promotional and advisory; it does not have the authority to finance or regulate apprenticeship training. The Department of Labor, through its national and local offices, and with the cooperation of State apprenticeship agencies, encourages high standards in apprenticeship by registering acceptable programs, promotes the establishment of these programs in additional firms and industries, and provides technical assistance to employers and unions in setting up such programs.

At the beginning of last year, approximately 207,000 persons were enrolled in federally registered apprenticeship programs, about two-thirds of all apprentices in training. This form of training is concentrated in only a few industries and in a small number of occupations. During the period from 1961 to 1967, more than half of the registered apprentices in industry were in the construction trades; other large groups were in metalworking occupations and in the printing trades.

Occupational Group	Number of Registered Apprentices in Training, January 1967
Total	207,511
Construction	122,193
Metalworking	44,757
Printing	12,363
All other	28,198

The Task Force considered that this limited Federal investment in promotional and technical assistance activities has repaid significant dividends in the development of a cadre of high-caliber craftsmen and firstline supervisors by

American industry. It was also concluded that there is an appropriate Government role in providing such promotional and advisory services for training beyond the limited area of apprenticeship, although major expansion of Federal effort in this field would require the utilization, on a contract basis, of specialists in private firms and training organizations. The Task Force concluded that apprenticeship is a highly desirable form of training that should be reviewed carefully and where appropriate, strengthened and extended to additional occupations, localities, and larger numbers of workers. Specific proposals for the expansion and strengthening of apprenticeship are discussed in chapter V.

Manpower Development and Training Act: On-the-Job Training

The Manpower Development and Training Act of 1962 (MDTA) represented a major forward thrust in the Government's participation in the skills training of the work force. The Act was conceived in an environment of high unemployment and concern that many well-qualified workers would be displaced by economic and technological change. Thus, the initial focus of the program was on the retraining of adults with obsolete skills. The MDTA was designed as a flexible instrument, however, to be used as part of an active manpower policy. As the tempo of economic activity increased, experienced workers were rehired and the focus of social concern became the employment problems of the poor and disadvantaged and the problems of youthful entrants to the job market. Thus, the portion of the program devoted to youth was expanded, authorization for basic education and other supportive services was added, and, in fiscal year 1967, the major emphasis in the program was placed on training the disadvantaged. Also in fiscal year 1967, the limited proportion of the program devoted to on-the-job training was substantially enlarged.

Two basic types of training are authorized under the MDTA: regular institutional or classroom instruction and on-the-job training (OJT). A combination of OJT and classroom instruction, sometimes provided, is referred to as "coupled" on-the-job training. All training may include basic education and prevocational training, as well as vocational training.

Most MDTA training has been institutional training conducted principally in public vocational schools. The program is administered jointly by the Department of Health, Education, and Welfare and the Department of Labor through State and local vocational education and State employment security agencies.

The on-the-job training (OJT) program of the MDTA, although modest in size—enrolling only 191,000 trainees through fiscal year 1967 compared with 600,000 trainees in MDTA institutional programs--has been the largest program of direct Federal financial assistance to training in private industry. Under MDTA-OJT, training is provided at a jobsite by an employer under contract with the Department of Labor. Private businesses, trade associations, labor unions, and public agencies participate as sponsors of training programs. OJT contracts provide for payments to project sponsors which cover certain training costs: job instructor fees, materials used in the course of training, and instructional supplies. Trainees are paid wages by employers when producing goods or services for commerce and receive Federal training allowances for training time not spent in production.

The OJT programs are designed for several purposes: to equip workers with entrance-level skills for immediate and continuing employability; to provide remedial training for underemployed workers and those subject to job displacement; to provide special training opportunities for workers from minority groups, disadvantaged youth and other hard-to-train persons; and to relieve shortages in occupations particularly critical to defense and the economy.

OJT may be coupled with supplemental training provided in a classroom facility located either in a school or on the premises of the employer. While such instruction usually covers technical subjects directly related to the training occupation, it may also include academic education essential to effective job performance.

OJT training is provided in a wide variety of occupations. The 2-year statutory limit on the payment of allowances to trainees, however, tends to restrict both the length of training programs and the skill level of the occupations being taught. While a small number of persons has been trained in relatively high-level occupations such as draftsman and licensed practical nurse, enrollees are more typically prepared for occupations such as aircraft subassembler, nurse's aid/orderly, welder, clerical occupations, and general machine operator.

Some OJT projects achieve a dual purpose of helping to meet the demand in skill shortage occupations and, at the same time providing employment opportunities for disadvantaged persons. For example, preapprenticeship programs under MDTA-OJT provide young men from disadvantaged backgrounds with the education and training needed to qualify for entry into apprenticeship programs in highly skilled craft occupations. In one such program, sponsored by the National Tool, Die and Precision Machining Association, preapprenticeship is provided as a "gateway" into an industry confronted by serious manpower shortages.

Another innovational OJT approach coupled upgrading with job entry training. Under a national agreement with the United Brotherhood of Carpenters and Joiners of America, journeymen carpenters are given training to advance their skills and, at the same time, trainees are admitted for training in preapprenticeship and apprenticeship programs in the trade.

Although the MDTA-OJT program has not been subjected to rigorous evaluation--a deficiency which will be discussed in chapter VI--the Task Force was impressed by the program's high placement rate—9 out of every 10 graduates were placed in jobs in fiscal 1967—as well as by the low average per-trainee cost to the Government—approximately $500 per person completing the program through December 1966.

The Task Force also reviewed the findings of a brief survey of employers' and unions' reactions to MDTA-OJT, conducted for the group by a Task Force member, Karl Kunze, of the Lockheed-California Company. Mr. Kunze canvassed 47 companies, ranging in size from a few hundred to over 30,000 employees and representing a wide variety of industries. A trade union was also included in the survey. (See Vol. II. Appendix E for the full report.) On the basis of his survey, Mr. Knuze concluded:

> . . . The employers and unions canvassed evidenced generally favorable attitudes toward MDTA-OJT programs and voiced their intention to continue using them. Some said MDTA-OJT made it possible for them to train the "disadvantaged, hard-core, and underprivileged," and provided a motivation to train those whose qualifications were substantially less than prevailing job requirements. Respondents judged MDTA-OJT to be a better training instrument for entry than for higher level occupations. The need for counseling and remedial education was expressed by some.

The Task Force considers MDTA-OJT to be an appropriate basic model for programs of Federal financial assistance to training in industry. Modifications will be needed, however, to meet the specific training objectives for which this manpower policy tool is to be used. For example, if the

Federal Government wishes to help finance training for skill shortages, the present 2-year limit on the length of training programs would have to be extended.

The JOBS Program

During the past year, the Federal Government, recognizing the potential of the basic MDTA-OJT mechanism as a means of addressing the urgent and difficult training and employment problems of the hard-core unemployed, launched a series of major demonstration programs to test the effectiveness of a greatly expanded array of OJT and supportive services to meet these problems. These demonstration programs culminated in the announcement by the President in January 1968 of the JOBS program—a large-scale effort to engage private industry in the training and employment of the most severely disadvantaged citizens in our society.

The first major demonstration program in this process was the "Ten Cities" or MA-1 program. In July 1967, the Department of Labor contracted with six private firms and a public school system to provide a wide range of training and supportive services to seriously disadvantaged workers in 10 major cities. While each of the 10 programs is different in approach, they all provide enrollees with counseling, testing, training, and followup services. The contractors are responsible for prevocational training, as well as on-the-job training in their own or other establishments where meaningful OJT can be performed. The contractor provides placement services but is not required to hire the trainees who complete the program.

The MA-1 program is being closely monitored to provide the Department of Labor with current information on the program's operations, as well as insights into its accomplishments and problems. The training projects have already demonstrated that the successful preparation and on-the-job training of the hard-core unemployed are far more expensive than was indicated by past projects under MDTA-OJT. Because the task of helping the seriously disadvantaged achieve employability is so difficult and complex, the average cost per trainee under the MA-1 program will be about $2,300.

In October 1967, the next phase of the demonstration effort—the industry-Government pilot program on hard-core unemployment—was initiated. In this experiment, employers were offered extensive financial assistance as well as coordinated Government services as inducements to create new employment opportunities, principally in urban slum areas, for severely disadvantaged residents of those areas.

Employers in five cities were invited to submit proposals for on-the-job training for hard-core jobless slum dwellers. To induce employers to locate their plants and businesses in or near ghetto areas, a wide range of Federal services was offered through a single office of the Department of Commerce. The services offered included lease or sale of surplus Federal property, aid in the lease or construction of job-producing industrial facilities in poverty areas, and small business loans.

The on-the-job training component of the pilot program, or MA-2, building on the experience of MA-1, placed greater emphasis on the hiring of trainees. Under MA-2, employers participating in the pilot program hire the trainees at the outset of the program and are reimbursed for all the added costs of services needed to make the trainee productive. As in the case of MA-1, the costs of a variety of supportive services, in addition to the on-the-job training itself, were reimbursable.

Contracts under the program are 21 months in duration. To keep the administrative burden on contractors as well as the Government to a minimum, fixed unit cost contracts were awarded to cover the first 15 months of the contract period. The contracts also provided for a schedule of incentive awards to be paid for the 16th to the 21st month of the contracts to those employers whose employee-trainees are in a continuous employment status for 12 months under the contract.

The JOBS program, initiated in January 1968, represented a large-scale application of the experience gained in MA-1 and MA-2 as well as in the regular MDTA on-the-job training program. Under the JOBS plan, participating employers hire and train hard-core unemployed workers identified and referred to them by the Government. The persons hired under this program are exclusively from disadvantaged backgrounds and are usually less qualified than persons hired by these firms. In addition to requiring longer training periods, these trainees will need services not normally provided by employers. Thus, the Government will reimburse the costs incurred by an employer in hiring and training these individuals which are over and above those customarily incurred in hiring and training a new employee. Among the reimbursable cost items are on-the-job training (including differentials for lower employee productivity) and such added services as basic and remedial education, counseling and testing, minor medical and dental expenses, and transportation. The goal of the program is to provide 100,000 jobs by June 1969 and 500,000 by June 1971.

Since this major program was launched only a few months ago, it is too early to estimate the impact it will have on the complex problem of hard-core unemployment in our society. The Task Force considers that, by enlisting private industry in this effort and by recognizing the need for providing a broad array of supportive services to disadvantaged trainees, the Government is moving in the right direction. Several suggestions concerning the possible strengthening of this program will be discussed in chapter V.

While acknowledging the need for this as well as other programs which provide for supportive services to disadvantaged persons to supplement their skills training, the Task Force emphasized that the need to supply such services as basic education to adults represents a failure on the part of the educational system. These shortcomings should be corrected within the schools themselves, thus precluding the necessity for post-school remedial programs.

Antipoverty Programs

Job Corps

The largest area of business and industry involvement in the antipoverty program is the Job Corps, established under the Economic Opportunity Act of 1964. This program, administered by the Office of Economic Opportunity, provides funds for the education and occupational training of impoverished young persons in urban and rural centers. Most of the enrollees in the Job Corps are housed and trained in urban Job Corps centers operated by private profitmaking corporations. Of the 28 urban centers in operation during fiscal year 1967, 7 were run by universities or nonprofit organizations and the remaining 21 by private firms such as General Electric, IBM, Litton Industries, RCA, and Westinghouse.

Although the Job Corps does not involve Government support of training within industry, the program was of interest to the Task Force because it represented another recent example of Government enlistment of industry's training and management expertise in accomplishing a major manpower objective in an area of Federal concern—the work preparation of unskilled youth from poverty backgrounds. The Job Corps program's use of the traditional Federal procurement mechanism — cost-plus-fixed-fee contracts — to

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purchase training and related services from private industry was of particular interest to the Task Force. According to a recent analysis of private industry participation in the Job Corps, real profit margins to companies under Job Corps contracts are probably less than could be gained elsewhere, but there is nevertheless a strong industry incentive to participate in such programs if some margin of apparent profitability is built into the reimbursement formula. The analysis concludes:

> 1. Companies of all sizes, in reasonably large numbers, particularly in the electronics equipment manufacturing industry but also in other manufacturing and service areas, are willing to undertake cost-plus-fixed-fee contracts for manpower training even on a massive scale.
> 2. Their motivation appears to be a complex mix, with long-term profit through diversification the most significant for the larger companies and shortrun profit somewhat more important for the smaller firms.
> 3. One of the most important inducements is the degree of control the companies are given over the experimental aspects of the program.[22]

The Task Force believes that successful employer participation in the Job Corps program augurs well for future efforts by Government to procure from industry, on a profit-making basis, occupational training and other manpower development services, especially to meet critical or unusual needs.

Neighborhood Youth Corps

The second major manpower development component of the antipoverty program is the Neighborhood Youth Corps (NYC), administered by the Department of Labor, which provides work-experience and, in some cases, related training to assist young people from low income families to stay in or return to school and to increase the employability of unemployed out-of-school youth. Under the program, young persons receive wages for work performed, either part time if attending school or full time if out of school.

Local projects are funded under contract agreement between the Government and sponsors which may include State and local government, public agencies, nonprofit organizations including community action agencies and, as a result of a 1966 amendment to the Economic Opportunity Act, private industry. The Government usually pays about 90 percent of the cost, but at least 10 percent in cash or kind must be contributed by the project sponsor. Under the typical NYC contract, reimbursable costs include wages to enrollees, supervision, project administration, counseling, and other supportive services. Reimbursements to private employers, however, are limited to training costs incurred in the program.

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[22] Stephen Kurzman, "Private Enterprise Participation in the Antipoverty Program," in Examination of the War on Poverty, vol. I, Senate Subcommittee on Manpower, August 1967, p. 113.

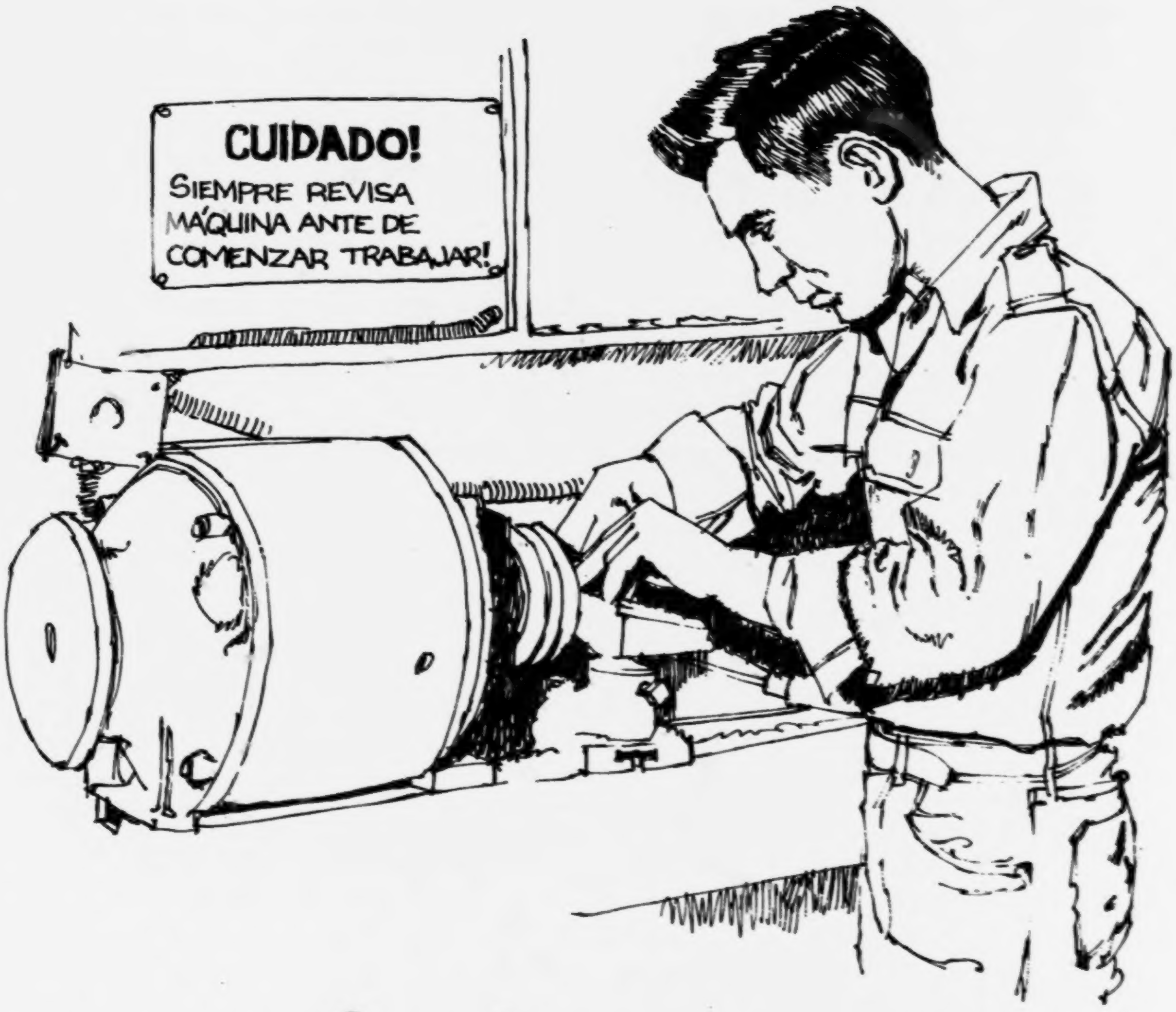
During fiscal 1968, it is anticipated that nearly 80,000 young persons will be enrolled in NYC out-of-school programs; of these, about 3,000 will work for private employers.

Other Antipoverty Programs

Other occupational training programs in which employers may participate are authorized under the Economic Opportunity Act:

- The Special Impact Program provides neighborhood-wide work experience and training projects for jobless and impoverished persons in low-income, high-unemployment communities.
- The New Careers Program involves the development of entry-level, subprofessional aide jobs for unemployed and underemployed persons. The jobs are in such critically undermanned fields as health, education, welfare, neighborhood redevelopment, and public safety.
- Operation Mainstream provides work experience and training in rural or small town communities to adults who are poor, often past retirement age, and affected by chronic unemployment.

CHAPTER IV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foreign government programs to stimulate and assist training in industry [23]

Since World War II a number of countries have developed occupational training programs to meet a variety of manpower problems. In some countries, the programs were aimed at reducing unemployment. In others they were designed to provide new skills to workers affected by rapid technological change that rendered many skills obsolete and outdated occupations that had furnished employment to persons with little or no education or training. In still other countries training was geared to alleviate shortages of skilled workers in a variety of occupations as well as to retrain or upgrade workers for higher level jobs. Some occupational training programs were designed for persons with special employment problems—older workers, the handicapped, or women. Sometimes, the catalyst was simply a large influx of workers into the labor force.

The Task Force decided that an assessment of methods and policies to expand occupational training in other countries should be undertaken to see if their approaches might lend themselves to consideration in our own country.

Although the Task Force has not recommended any of the specific approaches used in these countries, it concluded that continued study and review of some of these foreign experiences might be valuable in future planning.

Commitments to Training

During the last few years of World War II and early postwar years, a number of countries adopted legislation committing their governments to the pursuit of full employment policies. The law adopted by Great Britain and Sweden were similar to the U.S. Employment Act of 1946. In France and the Netherlands, the commitment to full employment was associated with planning policies. In most countries, policy declarations have been followed by legislation designed to expand occupational training.

In Great Britain, the Industrial Training Act of 1964 gives the British Minister of Labor authority to establish industrial training boards. These boards are empowered to assess and collect a training levy and to use the funds to pay grants to employers who establish training programs meeting approved standards. The Industrial Training Act has three stated objectives: (1) to insure and adequate supply of properly trained men and women at all levels in industry; (2) to

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[23] For a more complete account of foreign government policies to stimulate training in industry, see Volume II, Appendix C, for paper prepared by Kurt Braun for the Task Force.

secure an improvement in the quality and efficiency of industrial training; and (3) to share the costs of training more evenly among firms.

There are a number of French laws dealing with occupational training. One act, "Financial Law Respecting the Apprenticeship Tax," set up a levy and grant system. Unlike the British system, the French law imposes a national tax on all industrial and commercial enterprises and provides for a tax offset for employers who conduct approved training programs. Another law established a Manpower Redistribution Fund to facilitate occupational rehabilitation of workers adversely affected by closing or merging of firms. The fund is used to furnish financial assistance to employers or training centers which provide retraining for displaced workers.

The Netherlands has a number of laws and programs relating to occupational training. One of these,a program for training adults in Accelerated Training Centers, has adopted many innovative training techniques and since 1945 has produced about 60,000 workers for trades in the building and metal industries. The unemployed trainee receives an allowance equivalent to approximately 90 percent of his former wage. After the trainee is employed, the employer receives an allowance for one year to compensate for the worker's reduced efficiency.

In the Federal Republic of Germany, a corporate body known as BAVAVG, is responsible for considerable training activity as well as placement, unemployment insurance, and vocational guidance programs. BAVAVG provides financial assistance to young people who wish to undergo vocational training. Most West German subsidies are paid directly to trainees, but there are provisions for contributing to the employer training costs for certain activities.

Sweden has a positive training policy, an effective program and an industrial training council composed of employers and labor representatives, which actively promotes occupational training in industry and vocational schools. Financial support is provided by the central government for both on-the-job and institutional training. Of particular significance to the United States is the amount of training now going on or expected to take place in Sweden. Sweden is now retraining about 1 percent of its labor force or about 35,000 to 40,000 persons a year. If the United States were to retrain a comparable proportion of its work force, about 800,000 would be in such programs. (Under MDTA, the total number trained in fiscal year 1967 was about 165,000.) Sweden expects to train between 1 and 2 percent of its labor force each year in the foreseeable future. Retraining has been limited to persons unemployed or in danger of being unemployed because the industry or occupation in which they are now employed is declining in their particular area. Consideration is now also being given to retraining employed persons. Proponents of retraining argue that it would help not only the individual worker to obtain a higher level job, but also would increase the overall skill level of the Nation's work force.[24]

It is the opinion of Dr. Margaret S. Gordon that ". . . the most important lesson to be drawn from an examination of the postwar development of retraining programs in Western Europe . . . lies in the fact that European countries have come to accept government retraining programs as a permanent instrument of manpower policy, as valuable in a period of full or overfull employment as in a period of unemployment.

". . . Acceptance of retraining as a permanent program in the United States would have important implications with respect to various specific aspects of retraining policy. We should begin immediately to distinguish more clearly between the shortrun and the longrun objectives of retraining policies. . . But particularly as it relates to the more disadvantaged among the unemployed—especially the functional illiterates and others with an abysmally low level of education—it should be clear that the job is not going to be accomplished within a short span of a few years or even within a whole generation. The children who are growing up in urban slum areas and in backward rural areas today are going to contribute their share to a problem of inadequate preparation for the labor market a decade or two hence. And the problem of labor displacement is hardly likely to disappear. Indeed, it could well become more serious, particularly if automation in the office begins to result in a more difficult problem of displacement of white-collar worers, along with continuation of the more familiar problem of displacement of blue-collar workers.

"The development of a large retraining program requires expansion of the number of vocational training instructors and, particularly in the case of special programs for disadvantaged groups, the training of counselors, and other types of personnel equipped to deal with such groups."[25]

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[24] For more information on the Swedish manpower practices, see "Sweden's Manpower Programs," Sol Swerdloff, Monthly Labor Review, January 1966.

[25] "Retraining and Labor Market Adjustment in Western Europe," Margaret S. Gordon, Manpower Automation Research Monograph No. 4, August 1965, pp. 196-197.

Financial Incentives

Incentives to encourage occupational training in industry include loans (Denmark and Japan), grants and other subsidies (Belgium, Britain, Italy, Japan, the Netherlands, Norway, Sweden, and Switzerland), and tax exemptions, rebates, and similar devices (Britain, France, Italy, and Latin American countries). Financial reimbursements are provided to cover such expenses as loss of worktime and use of materials and equipment (Austria) or the wages of instructors (Britain and France), to reimburse the employer for the payment of wages or allowances to trainees (France, Germany, and Sweden), to compensate the employer for the difference between the productivity of trainees and that of fully trained workers (Austria and the Netherlands), to promote training to advance regional development (Britain and Sweden), to encourage provision of training instead of dismissal of workers in connection with plant conversions, technological changes, and rationalization (France), or to cover the entire cost of the training (Canada).

European countries have used a number of different mechanisms for providing financial reimbursements to employers for training. Under the British Industrial Training Act, the Industrial Training Boards, whose powers extend to all forms of training and to all occupations in their industry, impose a levy on the employers under their jurisdiction and use the collected amounts to give grants to firms which provide training of an approved standard. In this way, those employers who provide no training contribute through the levy toward the costs borne by those who do. Moreover, since the eligibility for a grant depends not only upon the scope but also the quality of the training, the boards are able to provide a considerable inducement to firms to raise their standards.[26]

In Sweden, private employers' organizations help finance training through special levies. The Swedish Metal Trades Employers' Association, for example, imposes a tax of 0.14 percent on the total wages of production workers plus a tax of 0.07 percent of the total compensation of salaried employees on its member firms. Government training subsidies are available for training programs approved by the Board of Education. An enterprise operating an occupational school, which meets government standards, and several small firms jointly running a "built-in school," for example, may receive annually a fixed sum for every six trainees as a contribution to the costs.

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[26] A detailed description of the British training system is contained in Britain's Industrial Training Act: Its History, Development and Implications for America by Gary B. Hansen.

The National Labor Market Board, through its budget allocations, subsidizes a wide range of manpower programs, including the retraining of adults. Two types of training within firms are subsidized: (1) industrial location training, if the enterprise is set up in a development area and (2) training necessitated because of inability to obtain qualified workers through the employment exchange. Under the first type of training, the Labor Market Board pays the enterprise a training grant based on the number of trainees and the number of hours worked and the contribution which the trainee makes to production. For the second type of training provided by a firm, the Labor Market Board may pay the enterprise a specified amount per trainee. In each case, the details are determined by contract and the trainees must be recruited through the employment service.

In France, industrial enterprises must pay an apprenticeship tax, which is assessed on the total annual wage bill; the objective of this tax is to induce employers to take a direct part in the development of occupational education. Exemptions are provided in two circumstances: (1) when the firm itself organizes apprenticeship or proficiency advancement courses and (2) when the firm makes grants in money or in kind to public or private vocational education establishments or awards scholarships or educational grants. An employer may deduct from the tax due such expenditures as the cost of instruction; subsidies given to public or private training institutions; and other subsidies, subscription, and dues paid to occupational organizations, unions, and chambers of commerce and industry to the extent that these monies are used for occupational training.

Retraining programs for workers who have lost their jobs or are threatened with job loss for economic reasons are financed by the Fund for Economic and Social Development (F.D.E.S.), which is maintained by an annual appropriation in the state budget. The Fund may supply financial aid directly to the enterprise concerned, to occupational training centers, or to the affected workers. Enterprises receive the aid as an incentive to retrain rather than discharge workers whose skill is no longer needed and also to provide training to workers dismissed for this reason by other firms.

The Italian Government encourages apprentice training by offering employers a social security tax offset as an incentive: the employer's share of the total social security contribution is reduced from 40 percent to 6 percent, the remaining 34 percent being paid by the government. In the handicraft trades, the employer is relieved of his entire share of the social security charge. These legal provisions obviously are based on the same general concept—a tax offset to induce employers to train—that underlies the British levy/grant and the French apprenticeship tax system.

Italian organizers of courses for unemployed workers are entitled to receive from the workers' vocational training fund, subsidies and reimbursement for allowances paid to trainees. This fund, administered by the Ministry of Labor, is maintained through special contributions received from unemployment compensation receipts in addition to an annual subsidy from the government, voluntary contributions from private persons or firms, and savings from the financing of courses and other income. The compensation paid to participants in authorized retraining courses conducted by major industrial firms which have too large a work force due to changes in work patterns, or which lack workers with required skills, is charged to the "fund to maintain the earnings of manual workers in industry." This fund is made up of compulsory employer contributions under the country's social security system for the relief of temporarily unemployed or under-employed workers. The Ministry of Labor and Social Welfare is authorized to pay for the cost of instruction.

In Canada, the Federal Government bears the entire cost of the operation of training courses and allowances payable to trainees. The Minister of Manpower and Immigration may assume the total cost of a course, by contracting with an employer conducting training for his adult employees unless the training is tailored too closely to the employer's needs. In addition, the course content must be worked out in consultation with the government of the province in which the course is to be given. In addition to the training costs, the Minister may pay the employer, for each week of training, a specified amount for each adult who is being trained and is eligible for training allowance.

The Task Force considered various forms of providing financial incentives to employers for training that are being used in other countries. Chapter V contains a discussion of the pros and cons of several of these financing mechanisms used abroad. As is mentioned in chapter V, serious problems may arise in applying some of the approaches used in other countries to the U.S. economy. Careful followup and study of experience in other countries, however, may suggest ways of adapting systems like the British levy/grant approach to the particular conditions existing in the United States. Similarly, the use in some countries of the unemployment insurance or social security systems as a vehicle for financing occupational training programs in industry warrants serious study.

All the foreign government programs reviewed by the Task Force have obtained the participation of the private sector in the planning and implementation of their occupational training programs. In some instances, Boards or Committees, usually consisting of employer and labor representatives, administer the programs subject to government appointment of the members, approval of certain actions, and compliance checks where subsidies are involved. In other countries, the Committees are principally advisory to the Ministry or agency responsible for administration. In other cases, both functions are performed by one or several bodies. National Committees are constituted differently, some being central committees and others regional or industrial in character. Descriptions of these bodies are provided in the appendix.

Most countries in western Europe have subsidized programs for retraining the unemployed and in particular those who have been displaced by automation or other industrial changes. Subsidies tend to be more generous for firms located in depressed areas or in areas which have been selected for regional economic development.

In Great Britain, the Industrial Training Act serves social as well as economic objectives. In addition to a goal of attaining a general increase in the skills of the British work force, the Act also includes provisions to help groups with special training needs: the disabled, career ex-servicemen, and unemployed people with special resettlement problems.

France has provided retraining funds to assist through subsidies those firms undergoing reconversion or other change which results in dismissal of workers. Also, out of a national employment fund, the dismissed workers are paid retraining allowances. The allowances supplement governmental and private unemployment insurance funds to bring the workers' incomes up to about 80 percent of their previous average wage.

Although all the countries included in this study support and encourage training of employed workers for jobs at higher skill levels, Japan appears to have taken the most positive approach to upgrading training. The Japanese government has a stated policy to:

(a) increase the technical knowledge of skilled workers so they may cope with changes in production methods;
(b) improve the general knowledge and skill of skilled workers and give them a basic knowledge of management practices to qualify as firstline supervisors; and
(c) to promote managerial skill among supervisors in small and medium-scale enterprises by seminars, group training courses, plant visits, etc.

For upgrading training purposes, the prefectural governments furnish assistance through specially trained instructors who may conduct training courses or provide technical advice, textbooks and teaching materials to the employers. It is reported that in 1965, there were 394 upgrading training courses held in Japan for 12,735 workers.

Work-study training is practiced widely in other countries. The division of total training time between classroom and plant site differs among countries as does the timing in each training location. For example, some programs may provide a half day each in classrooms and at the worksite; others alternate on a weekly or monthly basis.

Work study, under a variety of names, is an expanding method of training in all countries studied. Countries that formerly depended almost entirely on on-the-job training have recently divided the training period to allow for some classroom training. Other countries in which training was completely institutional either in schools or in training centers now provide arrangements for students to spend some portion of their total time in a work environment.

In this country cooperative work-study programs could be greatly expanded for adult workers as well as for secondary school and junior college students.

Technical Services and Promotional Efforts

It has been generally recognized abroad that the employers have to be convinced that occupational training is profitable. Some governments countered employer indifference by the use of a levy and grant system which does not make training compulsory but makes it costly not to train. Others have provided generous subsidies and allowances to encourage employers to train. In all countries where there is a recognized need for skilled workers, some type of technical service is made available to employers to assist in establishing training courses, preparing syllabi, and training administrators and instructors. In some instances, the technical assistance is given directly by the government; in others, by trade associations or other private groups or through cooperative arrangements between the government and private organizations. In any case, government takes the lead in stimulating assistance programs and in promoting training as a means of improving the quality of the work force and developing the national economy.

As examples, in the Netherlands and West Germany, the industrial associations render technical assistance to their employer members. The associations are particularly active in training instructors or in assisting employers to do so. Their activities are supervised by the governments and are financed in part by public funds.

In Great Britain, consulting services are available to industry through the Industrial Training Service—a private nonprofit organization which charges fees for services to individual firms or industry associations. Other training-related services are subsidized by the government. These subsidized activities include promoting adoption of good training practices in industries and firms not covered by Boards, organizing working conference and conducting short training courses for supervisors (TWI). The Training Service also arranges for instructors to be trained in Ministry of Labor Instructor Training Colleges.

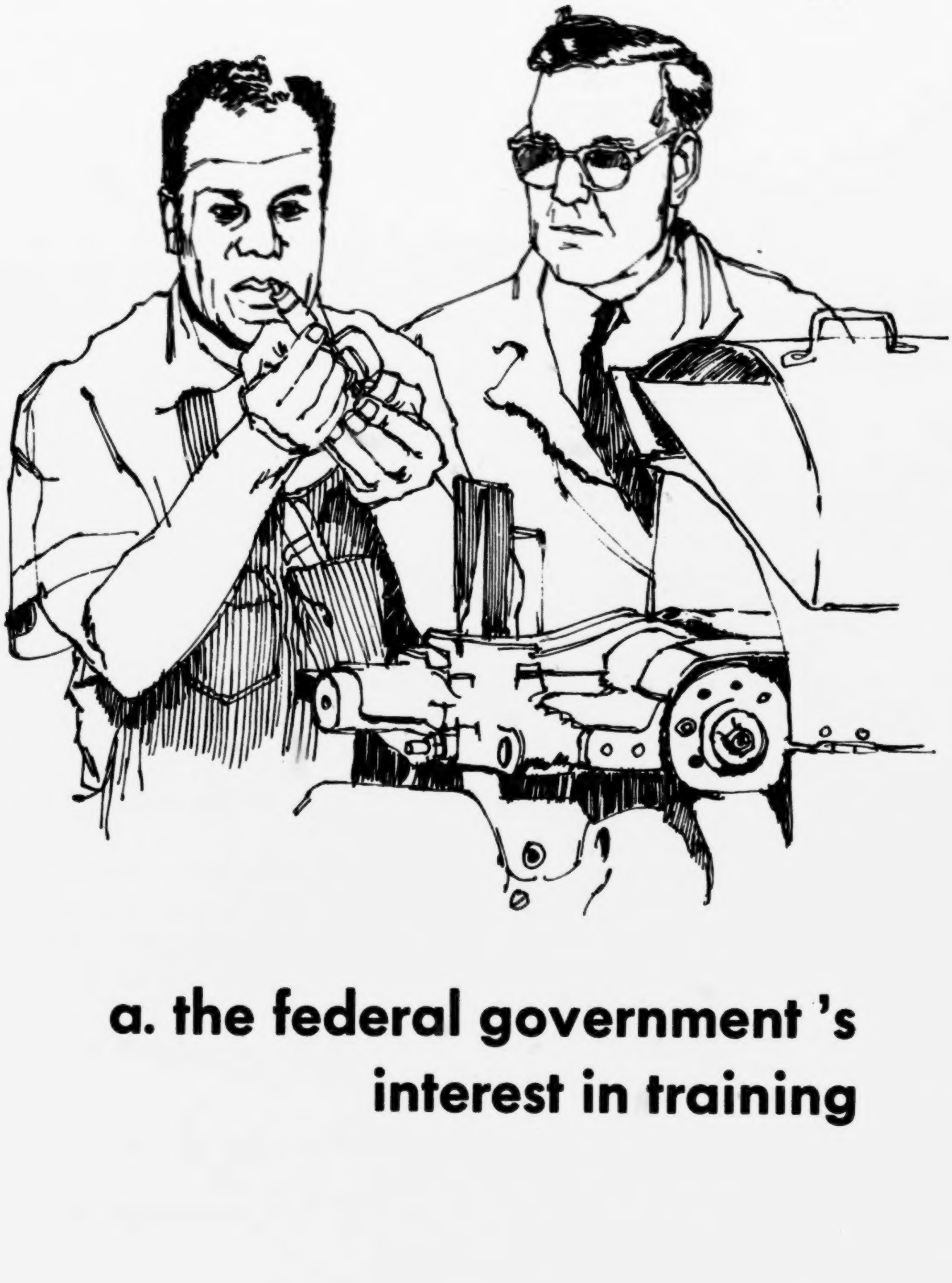
In addition to the Industrial Training Service, the staffs of the Industrial Training Boards devote considerable time to promoting training among the employers in their industries. Although a levy is imposed on all these employers, some have to be persuaded to install approved programs and claim the grants. These are usually small enterprises with special problems which require special measures.

Efforts are made by the Boards to combine the smaller employing units into groups for training purposes.

It would appear that the United States could profit from the experience in other countries of systematically promoting occupational training in industry, providing technical assistance in setting up and improving training programs, training instructors, etc. Gary Hansen concluded in his study of the British training system that financial incentives such as the levy offset or tax credits would not by themselves induce employers to expand training to optimum levels. He concluded that promotion and technical service assistance must be added to the financial incentives to assure that employers will be both willing to provide and capable of providing the desired training. (See chapter V.)

CHAPTER V

attaining adequate levels of training



a. the federal government's interest in training

A. The Federal Government's Interest in Training

The Government's interest in the level and scope of training in the United States is twofold: to insure that an adequate supply of trained workers is available to meet the Nation's manpower needs and to insure that training opportunities are available to all citizens, particularly those who have serious gaps in their preparation for employment. This Federal interest extends to the training provided by employers since, as this report has emphasized, skills below the professional level are generally acquired at the workplace and industry's major role in occupational training is likely to continue in the future.

Because the labor force is expected to grow rapidly over the next decade and changing technology is expected to result in a need for a higher average level of skill in our work force, training in both schools and industry will have to be significantly increased. Not only is the level of occupational training likely to be inadequate to meet the Nation's manpower needs but large segments of our potential work force are excluded from industry training programs; training and related services have not been available to and are needed by thousands of disadvantaged persons to qualify them for employment. Higher levels of occupational training would help to serve the needs of individual workers as well as to optimize the rate of economic growth and to contribute to holding down inflationary pressures. Thus, the Federal Government has an immediate and compelling interest in the current levels of job training in the Nation which involves considerations embracing both the Nation's economic progress and the needs of individuals groups in our society.

Economic Considerations

The economic progress of the United States is dependent in large measure on the quality and flexibility of its work force which must be trained and retrained to meet changing job requirements. Both the types and levels of training offered affect the extent to which the skill levels and productivity of our labor force can be increased to maintain or accelerate economic growth.

Training can be an important tool in alleviating skill shortages and preventing inflationary bottlenecks. Training programs directed at specific occupations and industries can help in preventing or reducing labor shortages which contribute to production delays and shortages of goods and services which result in inflationary pressures.

Training programs can help reduce the overall level of unemployment[27] by (1) training the unemployed for jobs that otherwise would remain vacant and (2) by motivating employers through increasing the availability of trained workers to undertake economic activities that they otherwise would not or could not assume, with a resultant increase in the number of jobs.

The value of training in helping to attain national economic objectives was summarized in the Economic Report of the President, transmitted to Congress in January 1967, as follows:

> . . . Through providing the skills needed by an economy undergoing rapid technological change . . . manpower training . . . can permit a more rapid rate of economic growth involving progressively fuller use of human resources. It can help the Nation avoid the painful choice between the two goals of lower unemployment and stable prices.

Social Considerations

In many respects, a more compelling Government interest in assuring an adequate level of training is the necessity to meet the needs of individuals in our population. The Government's manpower programs have been moving recently in this direction. As Secretary of Labor Wirtz said in the 54th Annual Report of the Department of Labor:

> Heretofore, in America, we always seemed to tackle our manpower problems by starting with jobs and, then, working back to people. That approach was archaic. So, in 1966, we began an approach that starts with people, not jobs—a human resources development program.

Although one of the original goals of the Manpower Development and Training Act was to retrain experienced workers displaced from established jobs by technological and economic change, its emphasis has shifted towards increasing the employability of certain population groups—the hard-core unemployed, the new young entrants who are having a difficult time finding a place in the work world, and rural workers who are migrating into large cities. The employment plight faced by these groups of workers was described recently as follows:

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[27] Overall levels of unemployment are not always reduced by training and employing the unemployed: If the newly trained workers are hired instead of other unemployed workers or new entrants to the labor force, the number of unemployed would remain the same.

> The changing structure of unemployment over time suggests that the labor market acts as an efficient selection mechanism, employing first the best prepared, most experienced and most skilled; and leaving behind, whatever the level of employment, those with less to offer. Since the hiring process is largely in employer control, the system also lends itself to discrimination if the employer chooses to leave out those least attractive to him for non-economic reasons.[27]

In addition to helping individuals, these manpower programs may also help minimize certain social costs, that is, failure in draft admissions, danger of riots, or transfers of income such as payment of unemployment compensation or welfare.

Another goal of training is to upgrade the skills of workers who are underemployed or in low level jobs that have little or no potential for advancement. Finally, if we are to maintain our concept of free choice of individuals in selecting careers, the Government must assure adequate training opportunities to enable individuals to enter the occupations of their choice.

A National Commitment to Training

An explicit Federal commitment to a goal of attaining adequate levels of training is needed if we are to meet these national, social, and economic objectives.

A national commitment to training, similar to the commitment to full employment in the Employment Act of 1946, would provide the authority for continuing Federal action with respect to meeting the Nation's training needs. This commitment would provide the basis for reorienting, expanding or reducing existing Federal programs, or enacting new legislation in order to anticipate as well as remedy such problems as skill shortages, technological displacement of workers, long-term unemployment of certain population groups and regional unemployment.

A national commitment to adequate levels of training would also provide authority for coordinating and integrating the many different Government-sponsored and Government-supported programs mounted in recent years to meet specific manpower problems or addressed to particular groups in the population. Several methods to coordinate these many programs are now being used by the Government. One, the Concentrated Employment Program, provides a closely knit system for delivering manpower services for the disadvantaged. CEP contracts are entered into by the Department of Labor with a single responsible sponsor in each locality. A typical CEP contract might include training and services available through MDTA, Neighborhood Youth Corps, and the New Careers program. Youth Opportunity Centers or the State employment service offices may be used to recruit enrollees who may be offered basic education, work experience, counseling, testing, guidance, skill training—and any other supportive service needed in their job training and placement. The active support of private employers and unions may be enlisted to line up job opportunities previously closed to hard-core unemployed.

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[27] Garth L. Mangum, Contributions and Costs of Manpower Development and Training, The Institute of Labor and Industrial Relations—University of Michigan, Wayne State University—and the National Manpower Policy Task Force, December 1967, pp. 17-18.

Another technique for coordinating Federal manpower planning at the local level is the Cooperative Area Manpower Planning System (CAMPS). CAMPS provides a "from-the-bottom-up" system of joint planning and coordinated action in manpower development and related fields involving several major Federal agencies. The system was devised under the leadership of the Department of Labor. Participating agencies are the Office of Economic Opportunity, the Economic Development Administration of the Department of Commerce, the Department of Housing and Urban Development and three branches of the Department of Health, Education, and Welfare—the Assistance Payments Administration, the Social and Rehabilitation Service, and the Bureau of Adult, Vocational, and Library Programs of the Office of Education.

In March 1967, speaking to their respective State and local counterparts with one voice, these agencies called for the convening of area coordinating committees in 68 major labor areas to make cooperative plans to insure maximum manpower program effectiveness in the approaching new fiscal year. The area committees, convened by the local employment service directors, are charged with sharing information in order to identify the area's major manpower needs and problems, assessing the outlook for economic development and the manpower development resources likely to be available there, and developing a comprehensive plan to deploy all available resources so as to avoid duplication and to concentrate services in areas of greatest need.

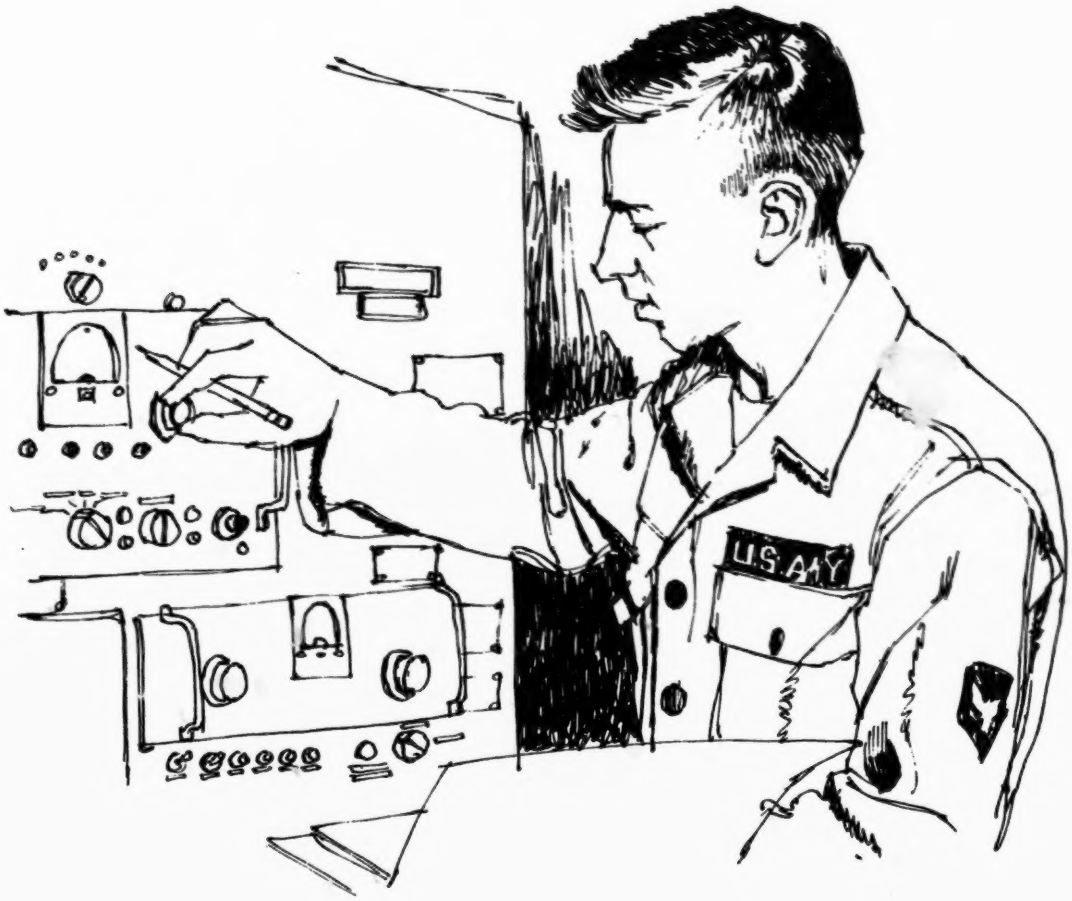
These efforts at coordination are designed to provide some degree of integration of the many Federal manpower programs. A broader coordinating mechanism, however, is needed to provide a more effective means of integrating the increasing number of Government manpower programs into a viable instrument for carrying out Federal manpower program objectives. The Committee on Administration of Training Programs, in its report of March 1968, made the following recommendation:

> National manpower policy, currently expressed only through an incoherent aggregation of laws and practices, needs to be definitively formulated and codified. Goals, commitments, priorities and constraints need to be delineated. Inter-relationships between employment, training, education, and welfare policies need to be explicit.

A National Training Council

If we are to face up to a commitment of insuring adequate levels of training, some mechanism would have to be developed to evaluate continuously the national training effort in both the private and public sectors and to provide guidance to Government-sponsored training programs. A variety of possible mechanisms could be created to carry out these responsibilities. An advisory group, similar to the Advisory Council on Vocational Education, could be established by statute with the requirement that it report back to Congress periodically. The body envisioned here, however, would have a continuing function and a broad scope of operation. It was concluded by the Task Force that the most effective means of carrying out these activities would be through a National Training Council to be established by legislation.

This Council, properly staffed and making maximum use of resources of existing agencies, would determine the needs for training in the United States and make periodic evaluations to determine if industry and education are meeting the Nation's training needs and are coordinated and integrated adequately. It would recommend policies, programs and/or legislation to fill significant gaps. This Council would be made up of representatives of business and industry, labor, education, training, and the general public. It would report to the President and through him to Congress once a year.



b. methods of expanding training in industry:

1. financial incentives
2. government procurement contracts
3. cooperative work-study programs
4. training servicemen for civilian jobs
5. technical services and promotional efforts
6. skill centers

In order to insure that the training available in the United States is sufficient to meet the needs of the economy and of individual workers, the Federal Government should take appropriate action, where needed, to achieve such training levels. As has been stressed in this report, private employers should play a major role in providing the needed occupational training. One of the Task Force's principal problems was to determine how the Federal Government could provide sufficient incentive and assistance to private employers to induce them to offer the desired levels of training in the occupations and for the groups in the population which the Government feels should have priority.

If the Government is to develop programs to promote and assist training in private industry, what methods can be used? Are financial incentives needed? If so, for what purposes should they be provided and how? Which non-financial methods should be employed?

To answer such questions, it is important to understand why employers do not train. In general, an employer trains to provide those skills specifically required by his operations but which are not readily available on the open market or which the schools do not provide for him. One deterrent to training is the risk that the employer's investment in training will be lost if the newly trained workers leave his firm.

That this risk is great is illustrated by turnover data for new hires, who are most likely to be in training status. For example, it has been estimated that, on the average, about one-half of the factory workers hired at any one time will remain on the payroll for less than one year.[28] One obvious alternative to training for any given employer (self-defeating for all) is to bid away from other employers workers who already possess the skills he needs—or bid them in from outside the labor force. Other alternatives to meeting scarce labor needs are to restructure the occupational patterns of the establishment or to hasten the installation of labor-saving equipment.

Another frequent obstacle to training is the small size of some establishments. Although large firms can afford to hire a training director, work out curriculum, prepare materials, and hire an instructor, small firms often cannot. In addition, some large firms may so dominate the labor market that they face little risk of losing their trained personnel; the risk is greater the smaller the firms.

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[28] See Memorandum on Issues in Federal Aid to Training by Stanley Lebergott in Volume II. Appendix B.

In what circumstances then should the Government reimburse employers for all or part of the training costs? The general principle of our private enterprise system is that each firm should pay for its own benefits. The public should pay for that part of the total benefits which is public in nature. Thus, in theory, only the broader preparation for employment beyond that of direct value to the employer is assumed to be an appropriate public responsibility. There is a public interest in training, however, if its presence encourages (or absence prevents) greater output and a higher standard of living, higher quality goods and services, or more stable prices. Training costs also might be reimbursed if the training provided by the employer replaces at a lower cost that which would have been provided at public expense.

Subsidized training appears socially justifiable if (1) the training results in the employment of an otherwise unemployed or underemployed person in whom the public has taken a special interest or (2) the training is needed by certain types of establishments such as health institutions, educational institutions, and social service agencies, where passing on the cost of training to the consumer would be socially undesirable or where, pressured by rising costs or limited budgets, these employers are likely to burden the consumers with fewer services or services of poorer quality rather than invest in training.

In summary, financial subsidies to employers for training appear to be justifiable if limited to the following purposes:

1. Financial assistance to firms, associations or organizations to help them in an identifiable program of training, education or other special services for the disadvantaged, the hard-core unemployed, and the underemployed groups in the population and to help new entrants into the labor force bridge the gap between school and work.

2. Assistance for the reimbursement of the costs of training or orienting supervisory personnel concerning the specialized employment problems of seriously disadvantaged workers.

3. Assistance to enable smaller firms to provide training for their employees, either through improving training in their own establishments or through cooperative or joint training arrangements.

4. Financial incentives to firms, associations or organizations to train beyond their own requirements for the

general needs of the job market in specific areas of Federal interest.

5. Financial assistance to certain establishments, such as those in health services and in other nonprofit sectors whose financing mechanism does not permit substantial investment in training and where passing on the cost of training to the consumer would be socially undesirable.

6. Financial assistance to firms, associations or organizations to provide training in critical occupations chronically in short supply.

Because of the limited resources available and the magnitude and urgency of solving the unmet training and employment needs of hard-core unemployed, underemployed and other disadvantaged Americans, the Task Force suggests that current programs of financial assistance to training in industry give first priority to assisting employers who agree to hire and train those individuals. Employers should be reimbursed for the extra and unusual costs and efforts involved in hiring these persons and providing training and a wide range of supportive services to make them fully productive workers. Since the goal is continued employment for these persons, incentive awards should be paid to employers who hire, train and retain in their employ for a specified period these hard-core unemployed. To assist these programs, the Federal-State employment service system should provide supportive services such as identifying and referring to employers for hiring and training disadvantaged and other hard-core unemployed individuals.

1. Financial Incentives

Having identified the specific types of training in industry which it feels merit Federal financial assistance, the Task Force also evaluated the relative feasibility and appropriateness of alternative methods of providing financial aid. The basic methods considered were: credits against Federal income tax, levy-offset systems, and direct payments. The members also explored the "vesting" approach which provides for the certification of individual workers in need of training and financial assistance to employers hiring and training such workers.

In evaluating financing mechanisms, the Task Force considered their administrative feasibility and, more importantly, sought to assess their likely effectiveness in achieving the specific objectives that the Task Force has set forth for programs of Federal financial assistance. On the basis of this review, it was concluded that direct payments appeared to be the most desirable method of providing support to training in industry.

The Task Force's evaluation of the alternative methods of financing follows:

Credits Against Federal Income Tax. In recent years, a number of bills have been submitted to Congress providing for credit against Federal income tax for a specified percentage of training costs incurred by employers. The bills provide credits for industry's investment in its workers similar to the tax credit provisions for capital investment contained in the Revenue Act of 1962.

These bills, similar in their structure, define the tax credit in terms of a percent of training expense. Although an absolute limit is set on the amount of credit which may be granted in any tax year, provision is made for carryback and carryover of amounts exceeding the limit to other tax years. These bills also specify allowable expenses and the kinds of training to be excluded.

The argument common to all proposals for financial subsidies to industry for training, including a general tax credit, is that economic factors deter industry from investing in training to the extent necessary to meet national training objectives. Proponents of the tax credit approach believe it to be the most efficient and effective means of overcoming the economic disincentives to the expansion of employer training programs.

Support for bills providing tax credits for training has focused on the training of currently employed workers as a means of confronting both the problems of skill shortages and unemployment of unskilled, disadvantaged workers. It is argued that, by encouraging the elevation of skills of workers all along the job ladder, skilled labor shortages will be met and employment opportunities will be opened up at the bottom of the ladder for those who currently lack the requisite job skills for employment. As Congressman George Bush indicated in a statement in support of the major tax credit bill submitted in the 90th Congress—The Human Investment Act of 1967:

> ... It [the Act] is a program which gives employers the incentive to train workers, and the employees the incentive to upgrade themselves. And it strikes at the heart of the problems of our unskilled or semiskilled workingman who cannot afford either the time from his job or the money from his family to gain new education and upgrade his skill. It is aimed at the employee who earns more than $3,000 annually and who is ineligible for unemployment or other welfare benefits, but who does not make enough to pay for retraining himself. It is aimed at the workingman who does not want welfare but wants to better himself, but who has no place to turn.
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> The bill is a positive, practical solution which has advantages for employees, employers, and the public as a whole. It gives the employee an opportunity to upgrade his skill and his income; it gives the employer the incentive to invest in his workers; and, as more workers are upgraded, it opens up more jobs for the unemployed, thus taking the latter off the welfare rolls and giving them the opportunity to become productive members of society.[29]

Administratively, it is suggested, the tax credit approach would be a less costly method of subsidizing industry training programs than the current contracting approach because it would avoid the expenses of formal application, reporting and review procedures. Further, proponents hold that incentives in the form of tax savings are more in keeping with the free enterprise system than direct subsidies; employers would be attracted by the prospect of retaining maximum discretion in determining their own training needs and designing their own training programs.

After giving careful consideration to the general tax credit approach as a method of achieving the expansion of industry training programs in the priority areas which the Task Force recommended for Federal financial assistance, it was concluded that this would not be a desirable method of achieving these objectives.[30]

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[29] Congressional Record, House of Representatives, Feb. 2, 1967, p. 934.

[30] See statement of exception at conclusion of this chapter.

It is the Task Force's conclusion that tax incentives might be appropriate if a general, undifferentiated increase in training was the objective of the Task Force's recommendations. This, however, is not the case. The Task Force considers that the greatest social and economic gains will result from Federal financial aid directed at specific training gaps and training for specific groups in the population. The tax credit approach does not appear to be an efficient device for reaching these specific training objectives.[31]

A general tax credit for training, for example, would not be an effective way of meeting skill shortages in specific occupations. Training in shortage occupations vital to the national security has been identified as an appropriate objective of a Government financial assistance program. Yet, specific occupational shortages that may affect national security are concentrated in a few sectors of the economy. The U.S. Department of Commerce List of Currently Essential Activities, until recently used by the Selective Service System as a guide in granting occupational deferments, specified only 11 industries as "inadequate to meet defense and civilian requirements because of manpower shortages or for which the manpower supply is not reasonably assured:"

Production, maintenance and repair of military aircraft.

Production and processing of chemical and allied products used for weapons, missile and space systems.

Production and maintenance of weapons.

Production, for military purposes, of precision and scientific instruments and apparatus.

Educational services including colleges and universities, technical institutes, vocational schools and certain subjects in high schools.

Production, maintenance and repair, for military purposes, of electronic equipment.

Engineering and design of ships and boats for military purposes.

Operation of water and sewerage systems.

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[31] See statement of exception at conclusion of this chapter.

Health services.

Production, installation and maintenance of missile and space systems.

Basic and applied research and development services of direct concern to national health, safety or interest.

A general tax credit would benefit firms in all industries, whether or not they were affected by any specific occupational shortages. Moreover, many of the critical shortages are in the public service area—health services and education—to which tax credits are not applicable since these agencies are tax-exempt.

Similarly, a general tax credit for training would not focus on the hard-core unemployed and disadvantaged—priority target groups. The tax credit would assist these workers only indirectly to the extent that its stimulus caused a general expansion of already existing private training programs. Employers, however, probably would tend to continue to hire and train the best qualified applicants—those with the highest levels of education and the most work experience; many trainees would be selected from among those already employed.

The Members also found persuasive, the position of representatives of the U.S. Department of the Treasury, set forth before a session of the Task Force, that serious administrative problems would be raised by the use of income tax offsets as a training incentive. Under a training tax credit system, Internal Revenue Service personnel would be called upon to evaluate company training programs to determine whether they met given criteria. The investment credit for capital equipment was integrated readily into the regular administration of the income tax since the essential determinations involved in its application were built into an existing tax technique for deducting depreciation on capital equipment. By contrast, eligibility for occupational training credit would require new factual determinations, judgments, and application of criteria that are not a normal part of tax administration nor readily adaptable to it. These difficulties would be compounded if only training for specific purposes—such as those being recommended here—were allowable for tax credits. Finally, since corporate tax returns are generally audited two or three years after filing, verification of claims made for credits for training people who may be long gone would be difficult—particularly in those cases in which the employers' records contain judgment decisions with respect to the eligibility of training programs that cannot be verified without access to the trainees.

The Treasury Department representatives pointed out several additional considerations: (1) changes in the tax law are reviewed infrequently by Congress whereas direct expenditure programs are regularly subjected to scrutiny by Congress, as well as by the appropriate Government Departments and the Bureau of the Budget; (2) the tax credit approach could result in a large revenue loss to the Treasury whose exact magnitude would be unknown; only limited data is available on the current extent of training in industry and thus it would be impossible to predict the number of employers who would receive tax credits under such a program; (3) the Treasury Department takes a general position against revisions in the tax law to achieve social objectives; it is felt that such changes are an improper use of the tax system which serve to erode the tax base in order to accomplish objectives more suitably achieved by direct appropriation of funds.[32]

For the reasons noted, the Task Force concluded that a general tax credit for training is not an appropriate financing method for the specific types of industry training programs it has recommended for Federal financial assistance.

Levy-Grant Systems. In chapter IV, it was noted that the Task Force had reviewed the methods of stimulating training in industry employed by foreign governments, including systems which provide for the pooling of training costs through special levies or taxes on employers accompanied by grants or offsets for training purposes.

The British system, discussed in Chapter IV, was of particular interest to the Task Force as an example of the levy-grant approach applied on an industry basis and designed to pool training costs within industry groups. In Great Britain, industrial training boards have been set up which are responsible for all forms of training in all occupations within an industry. The boards impose a levy, generally a percent of total payroll, on employers in their respective industries and grants are made to firms providing training of an approved standard. In other countries, levy-offset systems for training—conducted typically on a national rather than an industry basis—provide for training taxes which are levied on all employers and rebates which are granted to those employers who provide training of acceptable standard. (See discussion in chapter IV.)

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[32] See statement of exception at conclusion of this chapter.

The advantage of the levy-grant system is that it pools training costs among firms in the same industry who would be in competition for the same occupational skills in the job market. This pooling of training costs can serve to reduce the uneconomic practice of "pirating" trained workers. Another advantage is that decisionmaking is decentralized, permitting maximum employer-union initiative and minimizing Government involvement in an essentially private sector operation. Still another advantage of these plans is that they involve no adverse effect on the general tax system.

Serious problems, however, may be raised in applying the levy-grant approach to the American economy. For example, the definition of industries for the purposes of levy-grants would be difficult. If industries are narrowly defined, the training authorized also might be too narrow, addressed to the specific requirements of these industries. An undesirable rigidity might thus be encouraged in the Nation's job structure. On the other hand, if industry definitions are broad, they may result in the subordination of the training needs of small subindustries to the requirements of the larger industrial partners in a given industry group. Industry definitions might also prove difficult in the United States since it has a proliferation of multi-product firms which cross traditional industry lines.

The Task Force concluded that the introduction of a levy-grant system similar to the British program into the American economy at this time would be undesirable. The Task Force also considers, however, that it would be unwise to discard this experience in formulating future training policies for the United States. The British system was primarily a response to skill shortages in a full-employment economy and to the lack of training opportunities for young school-leavers. The Task Force considers that there is considerable advantage in approaching these problems—which also exist in the United States—on a viable industry or occupational basis and that the operation of the British system merits continuous study by American policymakers.

Another approach to applying the levy-grant system is through the initiative of management and labor acting on a voluntary basis within the framework of well-established industry relationships. To a limited extent a movement in this direction is already under way in the United States. For example, in the construction industry some collective bargaining agreements that cover workers in a particular occupation require employers to pay into a training fund a specified number of cents an hour for each hour worked by covered employees. These funds are then used to pay the cost of a training coordinator who promotes apprenticeship and provides technical and administrative assistance in training. These services have had the effect of expanding employer participation in apprenticeship training.

In several foreign countries, levy-offset systems for training operate on a national basis without industry groups. The Task Force agreed that the levying of such a general training tax to finance employer training would not lend itself to the specialized objectives of its target areas for training. Further, it would impose an additional administrative burden on employers and on the Government by providing for the payment and collection of a new tax. One possible variation of these systems, which was discussed, involves grants or offsets for specific training objectives and uses the existing unemployment insurance (UI) structure. Under this approach, a levy would be added to the existing Federal unemployment tax to promote a wider sharing of the costs of training to stimulate desirable types of training. Employers who are subject to this tax would be allowed to offset against this increased UI tax liability, expenditures on approved training programs. Another method would be to use a reserve fund created by these additional levies to make direct grants for specific types of training to employers to reimburse them for the costs of such training. This, as well as other possible modifications of the UI system, will require careful study. Since unemployment insurance is administered under a Federal-State system, further exploration with the individual State agencies will be necessary.

Direct Payments. The third basic method of financing considered by the Task Force is direct payments to reimburse employers for all or part of the costs of carrying out training. It is the Task Force's conclusion that this method of direct financial assistance would lend itself best to promoting training under the specific conditions and for the specific groups in the population which should be the objectives of programs of Federal financial aid to industry training programs. In contrast to the tax incentive and levy-grant methods, direct payments would neither erode the tax base nor impose the additional administrative burdens related to specific taxes or levies. This method can also be applied to nonprofit institutions such as hospitals which are not subject to taxation. Finally, contracting for direct payments enables the Government to control the amount and direction of the funds it expends on training in industry. This is the method which has traditionally been used—with general success—to finance industry programs conducted in the Federal interest. The Task Force recognizes one principal drawback of this approach—the administrative burden on the contractor. Several suggestions are advanced later in this section as to how these deficiencies may be corrected.

Clearly, to meet the training needs of each of the specific target areas identified in this report will require direct payments for a variety of different training programs. While the Task Force did not attempt to design specific financial assistance programs for each of these priority training areas, it does have the following suggestions on their general content:

- In the case of payments to employers for training to meet their own needs in shortage occupations and in certain critical, nonprofit activities such as health services, an approach like the current MDTA-OJT program would be appropriate; the legislative limit of 2 years, however, may have to be lengthened since many shortage skills require more than 2 years' training time.

- Direct payments to meet skill shortages should include training to elevate the skills of employed workers, since such "upgrade" training is a highly efficient and socially desirable way of training for shortage occupations. If upgrading is to be carried out through MDTA, a separate title should be added to the Act specifically for this purpose; the current provisions in the Act (as amended in 1966) for an experimental program of part-time upgrade training are too limited to provide sufficient training to meet skill shortages. Additional funds beyond existing MDTA appropriations should be provided for this upgrade training. The suggested new title for MDTA should provide specifically for upgrade training during off-duty hours, as well as during normal working hours, or some combination of on-and-off duty hours, since the MDTA experience with upgrade training indicates only a limited response if the training is offered only after working hours. The Task Force also agreed, after considering the experience gained under the current program, that substantial financial incentive payments are needed to induce employees to participate in training conducted after working hours.

•The proposed program should cover all skill levels below the professional and executive levels. The Task Force specifically urges that the program include the training of nonsupervisory workers to fill firstline supervisory positions. A Federal assistance program which enables employers to provide a full range of upgrade opportunities, extending through the supervisory level, will promote maximum upward mobility within the occupational structure of firms participating in the program.

•In addition to helping fill skill shortages, an expanded program of training to raise the skill levels of employed workers can also move large numbers of underemployed individuals out of "dead-end" jobs and low-level employment situations which do not make full use of their abilities. To facilitate this process, employers willing to institute Federally-supported upgrade programs for such underutilized workers should also be encouraged and assisted to conduct job redesign and job rearrangement studies which could help achieve this objective by (1) creating entry jobs, (2) eliminating "dead-end" jobs, and (3) establishing career ladders.

For example, to create entry jobs employers may make task analyses of existing related occupations to identify simpler tasks for inclusion into an entry-level job. These tasks, coupled with assignments to assist more experienced workers, could constitute newly-created entry jobs for trained disadvantaged persons. "Dead-end" jobs may often be eliminated by blending them with higher level positions through a rearrangement of job content of the two occupations. Job redesign and rearrangement studies, by creating entry jobs and eliminating "dead-end" jobs, help to establish career ladders. To further this process, such studies can enable employers to establish job sequences permitting an orderly acquisition of skill training and work experience.

While job ladder arrangements prevail in many industries, other industries present excellent opportunities for the installation of such arrangements. (See discussion in Chapter III.) Through Government-sponsored job design studies of a firm's operations, both employers and unions may discover that the elimination of certain low-level jobs and the reallocation of responsibilities under a career ladder system will result in an enhancement in worker job satisfaction.

- Federal financial assistance should be extended when the Government wishes to utilize the training resources of large corporations to train workers for the general job market in occupational areas in which there is a substantial unmet demand or urgent national need. In paying firms to train beyond their own needs for the job market, the use of the Federal procurement contract mechanism would appear to be the most appropriate method since the firms will derive no benefits from this training other than the profit provided for in the contract. Training contracts should also be provided under which large firms train directly for specific small firms; the Government and the small recipient company sharing the costs of training. Small firms should also be encouraged to establish joint training arrangements through employer associations or other cooperative associations. Federal payments, mainly to cover "start-up" costs, might be provided either through grants or guaranteed low-interest loans.

- To enable industry to hire and train the hard-core unemployed and disadvantaged in our society, the Task Force endorses the broad-gauged approach which the Department of Labor is currently taking in its MA-3 program. Since the program was launched during the Task Force's tenure, an assessment of results was not possible. The Members agreed, however, that (1) by recognizing the need to compensate private firms for providing the wide range of services required to prepare seriously disadvantaged persons for the world of work, the Government has moved in the right direction in designing this program, (2) to induce employers to hire and train high-risk employees, financial assistance programs should recognize and compensate for the extra and unusual costs, effort and risk involved in this process.

The Task Force felt that comprehensive training programs designed for the hard-core unemployed, such as MA-3, should be supplemented by two basic types of additional service: (1) orientation of supervisors and coworkers and (2) child care services. In discussing with employers successful private industry hiring and training programs for the disadvantaged, members of the Task Force were informed that an important component of such programs was the orientation of supervisors and coworkers concerning the specialized problems of disadvantaged workers. It was also concluded that the Federal

Government should reimburse employers who arrange for day-care services to enable disadvantaged mothers to participate in training programs. The Task Force was favorably impressed by the provision in the Department of Labor's MA-2 program (but not included under MA-3) for the payment of incentive awards to employers participating in the program who retain such employees beyond a given period of employment. It was felt that this incentive should also be included in contracts to hire and train disadvantaged and hard-core unemployed persons.

- While recommending that priority be given to providing a broad program of training and supportive services for the hard-core unemployed, as under the current MA-3 program, the Task Force also indicated that this should not be achieved by cutting back the regular MDTA-OJT program. Rather, the Members strongly urged that separate funds be sought for the comprehensive program addressed to the needs of the hard-core unemployed. The size of the conventional MDTA-OJT program should be maintained at its normal levels because of its proven success, both in terms of its high placement rate and low per-trainee cost, in training and placing unemployed workers not beset by serious social or educational handicaps.

Improving Contract Procedures. If direct reimbursement of training costs is to be used as a financial incentive to encourage occupational training in industry, the time required for both contract negotiation and for the payment of funds should be shortened and all contracting procedures should be simplified. In a recent canvass of employer opinion regarding the MDTA-OJT program (see Vol. II, Appendix E), a frequent criticism was that the contracting procedures were overly complex and burdensome. Among the most significant criticisms which emerged from this survey and from statements by employers and training personnel in meetings with members of the Task Force were the following:

- Employers reported delays and difficulties during the initial contract negotiations as well as in renewing or extending contracts, particularly when they occur near the end of a fiscal year.

- Educational authorities reported that Congressional delays in appropriating funds near the end of the fiscal year caused delays in acquiring and problems in retaining staff and facilities for institutional training.

- Funds for the MDTA program are appropriated on a 2-year basis, but other training programs, also administered by the Department of Labor, are funded on an annual basis. This lack of timing uniformity complicates the funding of programs that utilize more than one source of financing. If all training appropriations covered the same time period, the negotiation and administration of contracts would be simpler. Beyond this, the timing of all manpower training appropriations could be improved by the use of "no-year" and "open-end" contracts.

"No-year" appropriations—a method which Congress has approved on a limited scale for the Department of Defense and other Federal agencies—provides for contracting over extended periods and makes it possible to reimburse contractors as work progresses or as certain stages are completed. The adoption of "no-year" appropriations for training contracts would eliminate many of the current problems which arise at the end of a fiscal year.

"Open-end" training contracts permit contractors to fulfill all contract obligations without the necessity of renegotiating by a specified date.

Vesting Financial Credits for Training in Individual Workers. The Task Force also considered the possibility that an alternative system should be adopted whereby hard-core unemployed workers are certified by the Government in advance and financial assistance is automatically provided to firms which hire and train such workers. Assistance under this "vesting" approach could be in the form of direct payments, tax credits, or possibly, offsets against an employer's UI payments.

An advantage of vesting is that it gives the worker greater freedom to choose his employer. Wherever he goes the financing goes with him. The value of this approach was demonstrated by the significant achievements of the GI Bill of Rights, through which World War II veterans were provided with education and training opportunities after their discharge. This method of vesting would reduce the complicated paper work and negotiation requirements that are often associated with the Federal contract process. It permits employers to hire and train disadvantaged workers, with their financial reimbursement provided automatically. This approach might meet some of the objections to systems of financing such as the general tax credit approach, since vesting could be designed to encourage training among specific target groups. Tax credit eligibility, for example, could be vested in, or certified for, only those individuals in the target groups. Employers would receive tax credits only when they hired certified target-group workers. The certification process, thus, assumes that the training assistance will be directed to the type of training that is consistent with national policy objectives. Vesting also offers some protection against the possibility of "windfall" training subsidies to employers for undertaking activity which would have been performed in the absence of Federal assistance; this can be minimized by certifying workers whose limited background would normally have disqualified them from competitive employment.

While recognizing these advantages of a vesting approach, the Task Force concluded that its principal value as an incentive—eliminating the administrative burden on employers—would apply only if the assistance were limited to employer hiring of the disadvantaged. However, if a requirement for an approved training program were added, there would also be a need for administrative reporting and Government verification of training, and paper work problems would be reintroduced. The Task Force considers that, in general, such identifiable, Government-approved training programs would be essential if disadvantaged or hard-core unemployed persons are to attain permanent improvement in their labor force status rather than merely to find "a job." It was also felt that a second advantage of the vesting approach—the clear identification for employers of the individuals for whom the Government wishes to provide services—could be achieved under the contracting procedure, if the public employment service were to provide improved identification and referral services. It was agreed that the employment service should provide employers with prompt, efficient referral of disadvantaged and hard-core unemployed persons who meet the criteria of programs of Federal assistance for training.[33]

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[33] See statement of exception at the conclusion of this chapter.

2. Government Procurement Contracts.

Government Procurement Contracts. Through its massive procurement of goods and services from private industry, the Federal Government has at its disposal an instrument of great potential for influencing the manpower policies of private employers. Extensive use has been made already of Federal contracting authority in promoting equal employment opportunity policies in industry. The Task Force considered the possible use of this authority to increase the scope and to influence the nature of occupational training by Government contractors.

Some education and training at Government expense is currently being funded as a part of the cost of materials produced for the Government. In most instances, however, the funds are not expended for skills training but to enable scientific and professional personnel to take specialized courses in colleges or universities.

There are two basic types of Government procurement contracts: competitive bid and cost-plus fixed fee contracts.

The competitive bid contract is let on the basis of bids; the contractor agrees to furnish materials and services for a specified or fixed sum. In this instance, the contractor may conclude that it will be necessary to train certain members of his work force or other workers he contemplates hiring in order to fulfill the terms of the contract. There is no legal barrier to his including the estimated cost of this training in his bid. The only barriers to this procedure would be that (1) the procurement agencies may not have sufficient funds to cover training expenses, and (2) contractors may hesitate to add the cost of training to their bid, lest they lose the contract.

A cost-plus fixed fee contract provides for the payment of all costs of furnishing the goods and services ordered, and an agreed upon, or "fixed," fee to allow the contractor a profit on the contract. Federal regulations specifically provide for the reimbursement of education and training costs in such contracts.

The Task Force has concluded that greater use could be made of this authority to stimulate training in areas of Government interest. All departments of Government should be advised that in procuring materials or services they should take full advantage of existing regulations to increase the number of training clauses in new contracts and to provide the necessary funds to make them effective.

3. Cooperative Work-Study Programs

The expansion of the number of young people in cooperative work-study programs would make a significant contribution toward bridging the gap from school to work. Despite the fact that the United States keeps larger portions of its children in school longer than any other nation, the unemployment rate among youth is far higher here than in any other industrial nation. As President Johnson stated in his education message, "... one and a half million young men and women will leave high school and enter the labor force this year--in a time of high unemployment when skills are at a premium. If their experience is similar to those who left school in 1966 the transition to work will be a difficult proposition for a very significant percentage."

By October of 1966, those who had graduated from high school in June of that year had an unemployment rate of more than 14 percent; the rate for dropouts was 17 percent.

Even though teenage unemployment rates have receded in the past 5 years as total unemployment has declined, the rate for 16- to 19-year-olds was 12.9 percent in 1967; it had been as high as 17.2 percent as recently as 1963. And more disturbing is the fact that, over the long haul, the position of teenagers is deteriorating relative to the national unemployment experience. In 1930, at the start of the depression, the teenage unemployment rate was about 1-1/2 the total rate of 5.2 percent. By 1948, the teenage rate was nearly 2-1/2 the national rate. In 1963, for the first time, it was three times as high. And by 1967, it was nearly 3-1/2 as high as the overall rate!

The position of the nonwhite teenager is deteriorating even faster. As late as 1954, the unemployment rate for nonwhite teenagers was 16.5 percent, roughly one-quarter above the white rate of 12.1 percent. In 1967, the nonwhite teenage rate was 26.5 percent, almost 2-1/2 times the white rate of 11.0 percent.

Although these problems are most severe among low-income families, they cannot be attributed solely to poverty. The teenage rate is 17.4 percent in poor families, but it is almost as high--16.6 percent--in families with incomes from $3,000 to $5,000; and in families making $10,000 or more the rate is still double the national average.

Moreover, unemployment is not the whole story. In 1967, 6 percent of 16- to 19-year-olds were working only part-time but wanted full-time jobs. There are also the discouraged who have given up looking for work, and those whose jobs have little potential and are so unrewarding as to dampen their motivation.

The only youth for whom adequate bridges to work now exist are those with the intensive preparation provided by professional training at the college level.

Another group that has been helped in the transition from school to work are students enrolled in part-time cooperative work-education programs. The high school parttime cooperative program usually requires that the student work half of each day and go to school the other half. Usually the student is at least 16 years old and is a junior or senior. At work he is supervised by a school-employed coordinator who makes certain that he is not exploited and receives worthwhile instruction. In school the student studies the theory of his occupation as well as other academic subjects. The Advisory Council on Vocational Education endorsed work-education as follows:

> The part-time cooperative plan is undoubtedly the best program we have in vocational education. It consistently yields high placement records, high employment stability, and high job satisfaction. Students cannot be trained faster than they can be placed. The availability of training stations with employers is limited by the needs of the employer.
>
> This program is also popular with students. Pay, an opportunity for instruction which is obviously "real-life," and prestige all contribute to this popularity. Usually, many more students apply than can be accepted; this leads to rejection of the students who need it most, and undoubtedly contributes to the excellent record maintained by those who are accepted. Making it available to all who desire it would largely eliminate this "skiming" process.

The number of persons participating in cooperative programs is, however, very small. In fiscal year 1966, for example, only about 78,000 persons were in trade and industry cooperative training programs; about 76,000 secondary school students were in distributive education cooperative programs; about 30,000 were in office programs and a few hundred in other programs--altogether, less than 200,000 enrolled in cooperative education programs.

The Task Force believes that the Federal Government should undertake promotional efforts and other technical assistance and provide the necessary financial aid to schools and employers to make possible, the expansion of cooperative work-education programs severalfold in secondary schools and introduce and greatly enlarge programs in junior colleges and technical institutes.

The work-education principle has also been applied successfully to adults. A limited number of programs combine on-the-job training in business or industry with study at skill centers, vocational schools, and other institutions. In some programs, individuals work part of the day and attend school part of the day. In other programs, full-time study in school is alternated with supervised work experience in industry. The Task Force believes that the Government should promote the further extension of these programs in private industry.

4. Training Servicemen for Civilian Jobs

The Armed Forces discharge more than 750,000 enlisted servicemen each year. Many had acquired skills before they entered the service; others acquired skills or knowledge while in the service that could be transferred to civilian pursuits. But a large group of men possessed no skills upon entering the Armed Forces, and during their years of military service gained none that would fit them for a productive return to civilian life--a matter of great economic and social concern to the Nation. Many of these men came from an unfavorable environment, never held a steady job, and lacked motivation and good work habits prior to entering the Armed Forces. Their years in military service may have taught them discipline and developed a new sense of purpose--attributes that should be helped to survive the transition back to civilian life. If, however, these men return to the same environment without a marketable skill only to become unemployed or underemployed once again, everybody loses.

The Department of Defense's "Project Transition" is a partial answer. This project offers men with 1 to 6 months' service time remaining, an opportunity for training or education to fit them for civilian employment. Counseling, skill enhancement, education, and job placement are all provided. The men may be released from military duties for training within the 6-month period before discharge through local command arrangements. On-base training facilities are utilized where available, but maximum training support is sought from both public and private employers and on-the-job or coupled training courses are being provided in many instances. Arrangements are frequently made for MDTA training courses to be established at or near military bases.

This is definitely a step in the right direction. Project Transition provides a foundation upon which a broader and more effective program should be built. One limitation of Project Transition is that servicemen may not transfer from the base where they are stationed to another location, even if better or more suitable training facilities are available elsewhere. The value of the program would be enhanced, and perhaps made more acceptable to the servicemen, if such transfers were possible. It should also be possible to transfer personnel to another branch of the Armed Forces for the training period, if it is more advantageous to the trainee.

The time allotted for training under Project Transition (6 months maximum) is often insufficient to prepare the men for civilian employment before the date of their discharge. If they were permitted to reenlist for a period not to exceed one year after the discharge date and the extended time were for the sole purpose of education or training, both the Government and the individual would profit. Although they would not be performing military duties during this time, these men should be fed, clothed and housed as military personnel and should be subject to normal military discipline during the period of their "self-improvement furlough."

To fully meet the needs and desires of the retiring servicemen, on-base training supplemented by MDTA or other on-the-job, institutional or coupled training in either private or public establishments should continue to be arranged. The training should be conducted in collaboration with business and industry and geared to the needs of employing establishments.

In addition to occupational training, servicemen should also be offered the opportunity to take courses which would enable them to achieve high school equivalency during this 1-year enlistment period. The Armed Services make off-duty educational programs available to all men at military bases and more than 80,000 high school equivalency certificates are awarded to servicemen each year. Despite this achievement, there are many others who, because of the nature of their military duties or for other causes, are unable to take advantage of this off-time educational opportunity, even though they may be eager to do so.

A program of this nature would acknowledge the Nation's debt to those who served in the Armed Services. It would provide a major source of trained manpower for business and industry and would ensure that, on a voluntary basis, retiring servicemen could prepare to return to the world of work with some assurance of finding full-time gainful employment. The added expense incurred by the Department of Defense for such a program should be met through a special appropriation earmarked for these purposes.

5. Technical Services and Promotional Efforts

The direct Federal financial assistance required to enable employers to meet the urgent national training needs outlined in this report will prove to be of limited effectiveness unless firms have the technical capability of carrying out these training programs as well as an appreciation of the need for and value of training programs in their enterprises. To develop the essential technical ability or expertise, firms--particularly smaller and medium-size companies--may need outside help in the form of technical services.

The importance of such allied technical services was highlighted by recent experience under the British Industrial Training Act. As Professor Gary Hansen's analysis has indicated:

> The British experience under the Act thus far indicates that, acting alone, a training levy—or a tax credit . . . will not provide sufficient incentive to employers to bring about an optimum level of training. Rather, the obtaining of the desired quantity and quality of industrial training requires effective complementary systems of training technical assistance—able to reach the level of the individual firm.[34]

In relating British experience to American problems, Professor Hansen concludes:

> Only when substantial progress is made at the level of the individual firm can we conclude that the training mechanism is working properly. Therefore, a training levy or tax credit system for America, whatever its form, would not be effective in solving the grassroots training problems without a complementary technical advisory system to provide the employer with the kind of advice and assistance be needs.[35]

In the United States, formal occupational training is carried on principally in large firms. The 1962 Government survey of training in industry referred to earlier[36] indicated that firms with fewer that 500 employees are far less likely to have training programs than larger establishments. For example, only about 40 percent of establishments employing between 100 and 500 workers had training programs, whereas 70 percent of the establishments

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[34] Britain's Industrial Training Act, Gary B. Hansen, p. 8, April 1967.

[35] Op. cit., p. 69.

[36] Training of Workers in American Industry, U.S. Department of Labor, 1965.

with 500-1,000 workers had such programs. The costs of training very likely serve as the principal barrier to greater involvement of small- and medium-size firms in skills training programs; an additional impediment is their lack of expertise in training methods and organization in these firms. The Task Force took note of a recent survey of executives in 146 industrial firms conducted by the Maynard Research Council of Pittsburgh.[37]
Most of the managers surveyed reported that their company's training programs were poor to average in quality; only one-third reported good programs; less than one in ten, excellent. One-third of the respondents indicated that their biggest training problem was lack of time to train properly, one-third indicated that persons needing training could not be spared from their jobs, 10 percent indicated that they lack budget, and 9 percent said they lacked training.

The Task Force also recognizes other needs for technical services. Because rapid advances are being made in training techniques, it is essential that information on these developments be disseminated to employers to enable them to carry out up-to-date, effective training programs. Significant progress is being made, for example, in the technology of training, including the application of programmed instruction, computer-based instruction and closed-circuit TV to occupational training. The Task Force also feels that the Government should continue and expand its current programs of experimenting with these and other innovative training methods and approaches. Resources should be made available so that these methods may be tested in private firms, with Federal support. Both industry and Government specialists emphasized that occupational training programs for persons handicapped by lack of work experience, previous failures in the job market and, in many cases, alienation from society cannot succeed unless training is supported by special services: careful interviewing and evaluation, intensive counseling and orientation, orienting first-line supervisors to the specialized needs of these disadvantaged trainees. While many major corporations have developed the capability to provide these services, information concerning these techniques and their importance in the work preparation of hard-core jobless, poverty-stricken persons must be disseminated widely if one important objective of a national training policy--the training of the disadvantaged--is to be successfully carried out.

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[37] Reported in "How Companies Look at Training," John W. Hannon, Training and Development Journal, January 1968.

Technical training assistance rendered by Government to employers is not an entirely new concept in the United States. Such assistance has been given in the past and continues to the present. There is evidence that it has, for the most part, been profitably utilized and highly appreciated. One of the most relevant technical assistance experiences was gained through programs of the War Manpower Commission during World War II. The Commission's Bureau of Training assisted industry to train the 16 million skilled and unskilled workers, excluding apprentices, needed to produce the implements of war. In the Commission's Training Within Industry Program (TWI), technical assistance provided to industry through the training of foremen and supervisors had a maximum "snowballing" effect. A few trainers from an industrial plant would be instructed in the techniques of Job Instruction, Job Methods and Job Relations, the principal facets of the TWI system. These trainers, in turn, would train all the foremen and supervisors in the enterprise. In this manner, in less than 5 years, approximately 1.7 million industrial foremen and supervisors were TWI-trained.

The War Manpower Commission's Bureau of Manpower Utilization also furnished technical assistance to industry to improve the utilization of manpower. The Bureau initially planned to enter, on its own initiative, any plant believed to be hoarding or inefficiently using manpower. Management supported by labor and the procurement agencies objected to this intrusion, maintaining that manpower utilization was their sole responsibility. A final compromise provided that technical consultants would be made available only upon request by employers. This experience suggests that technical assistance to employers should be neither imposed by Government fiat nor merged with enforcement activities.

Currently, the Department of Labor's Manpower Administration provides a limited program of specialized technical training services to industry. Through its Bureau of Apprenticeship and Training, management and labor are assisted in instituting and operating efficient apprenticeship training programs. The Manpower Administration also conducts a program of experimental-demonstration training projects in which innovative methods of training and providing supportive services are tested and demonstrated. Several of these experimental projects have been conducted in industry with Federal support. In its administration of the MDTA-OJT program, the Manpower Administration advises firms on the selection, counseling and testing of persons to be trained for employment. It is noteworthy that a representative of the Manpower Administration, in his presentation to the Task Force, pointed out that many small employers do not wish to be reimbursed for persons trained in their plants under the OJT program but only want the Government to recruit the trainees and to provide technical advice on special problems of training the disadvantaged.

On the basis of its assessment of the need for technical assistance to industry training programs and the effectiveness of such services both here and abroad, the Task Force concluded that a Federal program of technical services is an essential component of an effective national training policy.

The Task Force feels that the Federal Government can best provide technical training assistance to employers, by making maximum use of the expertise of organizations in the fields of education and training services, employer associations, unions and professional training societies. This could be achieved by contracting with these firms and organizations to provide technical assistance to employers who require such advice in order to initiate, expand or improve their occupational training programs.

The primary purpose of such a Federal technical assistance program would be to provide advice to employers concerning the techniques, administration and planning of training and related programs. This service would be available to all employers requesting aid but it would be coordinated especially closely with Federal programs of financial assistance. To achieve maximum effectiveness, the program should also include a clearinghouse for information on the most effective and up-to-date training methods and techniques and the experiences of training programs, both public and private. Training services would cover the complete range of skills below the professional and executive levels and would include assistance in the specialized problems of providing work preparation to the disadvantaged and hard-core unemployed.

The program would also have the responsibility for promoting the establishment of training programs in industry. Public relations and informational programs should be mounted to educate employers concerning the economic benefits to the employer and the value to society of expanded training in industry. Such a program might also include appropriate methods of providing public recognition, such as the World War II "E" awards for production performance, for employers who conduct outstanding training programs involving occupations or groups in the population of particular interest to the Federal Government. The information clearinghouse, discussed above, would also support these promotional activities.

The principal ongoing program of Federal technical assistance to training in industry is the Federal apprenticeship program conducted by the Department of Labor. As noted in Chapter III, the Task Force concluded that the limited Federal assistance in this area has played a significant role in assisting employers and unions to develop training programs of high standard for skilled craftsmen. It was further concluded that the Government should attempt to expand this excellent method of training while continuing to maintain high standards for apprenticeship. Specifically, it is urged that consideration be given to promoting and encouraging: the extension of apprenticeship to additional occupations and localities; the recruitment of members of minority groups into apprenticeship programs; the development of pre-apprenticeship programs to help disadvantaged youth meet apprenticeship entry requirements; and the establishment of programs of specific related instruction for all apprenticeship enrollees. It is also recommended that the Department of Labor undertake an expanded informational program to make generally available, through Apprenticeship Information Centers and other approaches, information on apprenticeship openings.

6. Skill Centers

Although many advantages are to be gained by training workers on the job within industry, it is not always practical to use this technique in every business concern or industrial enterprise. For instance, there are approximately 3.2 million employing units in the United States with less than 20 employees, nearly 300,000 with 20 to 99, and 54,000 employing from 100 to 500 workers. Although some small- and medium-size employers do have training programs, many also have serious training problems. They usually lack the facilities and the type of supervisory-instructor personnel to do effective on-the-job training. Many of these employers "pirate" workers from larger employing establishments who have training programs; others make do with "pick-up" training methods that often produce poorly trained workmen.

The establishment of well-equipped and staffed skill training centers would facilitate the training of workers for these employers. In addition, the larger employing units would be able to utilize the centers to supplement their own training programs. The skill centers would provide training courses for adults in a variety of occupations to meet the particular needs of the communities in which they operated. The trainees might be either unemployed workers or those at work for whom an employer requested training in specific occupations to meet immediate needs. The centers might also conduct classes for long term unemployed workers whose skills have become "rusty" through disuse or have been rendered obsolete as a result of the introduction of new machines and new processes. Perhaps an even more important function of the skill center would be to upgrade the skills of workers who are in "dead-end" jobs.

In addition to Government operated skill centers, others could be planned by employers through trade associations or other regularly constituted employer organizations by unions, or by ad hoc nonprofit employer groups formed for the sole purpose of training workers in a single employment market area. The Government might promote this activity and provide technical or other assistance including financial aid on a loan or grant basis where necessary.

A great many private skill centers already are operated by large employers, industries, and trade unions to meet their own needs for skilled workmen; fee-charging private schools and centers which are patronized by a number of employers and by individuals willing and able to pay tuition for their training. The Department of Health, Education, and Welfare operates approximately 100 skill centers under the Manpower Development and Training Act.

Skill centers have been successful in many parts of the world. Most of the countries in Western Europe have training institutions of this type. Japan and many of the developing countries in Africa, Asia and the Middle East and Latin America have established skill centers over the past decade with financial assistance from the United Nations and technical advice by the International Labor Office.

More information on the cost effectiveness of both private and public operated skill training centers is needed before Federal action is taken to promote the expansion of these institutions. Also surveys should be undertaken to determine where and to what extent ongoing occupational skill training programs might be supplemented usefully by additional skill centers.

Statement of Exception

The following members—Miss Breen and Messrs. Evans, Hardman, Jones, Kunze, and Musgrave had the following exception:

In our view, the majority recommendation for the exclusive use of direct reimbursement by means of contracts negotiated at the national level and the rejection of alternative incentive methods to expand training in the private sector is not adequate to achieve the objectives of federally supported training. Since the experience of business and industry with this method has frequently operated to discourage their involvement, we have concluded that:

1. The great variety in size, needs, and capabilities within the private sector, together with the varying specific objectives of public policy as social and economic conditions change over time, makes it unlikely that any one method is best suited to achieve the desired goals.

2. Incentives should be designed with sufficient built-in flexibility to minimize the need for frequent legislative changes and to permit reasonable continuity of training effort by industry.

3. In keeping with our democratic principles which emphasize freedom of choice appropriate to the needs of individuals, the opportunity to select from among suitable alternatives should be open to both employers and prospective worker-trainees.

4. The national interest in expanding or redirecting training in the private sector will be best served by making it possible for all employers to participate in federally supported programs. The inclusion of small, medium-size, and large establishments in the for-profit and not-for-profit sectors and in urban and rural areas offers the best potential for providing training across a broad spectrum of occupations and industries and for permitting trainees an occupational choice in keeping with individual preferences and aptitudes.

5. Appropriate incentives must combine the minimum of administrative complexity compatible with accountability for the expenditure of public funds to permit cost-benefit analysis and evaluation of progress toward specified goals.

With these basic principles and criteria in mind, we have proposed the comprehensive and flexible structure of incentives described below.

Each participating employer in the for-profit sector would be permitted to choose among the following incentive options:

Option No. 1. Direct subsidy through a negotiated contract: This is the method currently in use for MDTA-OJT and under such programs as MA-1, MA-2, and MA-3. Even if the contracting procedure is simplified and improved funding arrangements are obtained, it is recognized that the great majority of small and medium-size establishments are virtually excluded, under this procedure, unless they are organized in adequately staffed and funded associations. While smaller employers should be encouraged to develop associations with the capability to mount broadly-based training programs, the contracting option is currently most often beyond the reach of the average employer. Of the 3.5 million employing establishments in the United States, about 3.2 million have fewer than 20 employees.

Option No. 2. Wage credits for approved employment and training of "certified" trainees: This option would be open to any employer who would agree to provide jobs and training to one or more workers certified and referred by the public Employment Service as suitable candidates for federally-assisted training. A "certified" worker would be any person meeting the administratively-determined criteria for a member of a target group (e.g., disadvantaged, hard-core, youth, etc.) for OJT or coupled training. For each such worker employed, the employer would be allowed incentive wage credits as a business expense against gross income, in accordance with the suggested schedule below, for a period of employment and training up to a maximum of one year. Since the employer's training expenses are deductible business costs in the computation of his income tax liability, the incentive credit would be allowed against wage payments only. Basic to this approach is the assumption that "certified" trainees would require more training and related services and be less productive during the training period than the workers that the employer would select on the basis of his normal hiring standards. The employer would, therefore, be reimbursed for his extra efforts and the probable productivity loss in accordance with the following suggested schedule, which includes a graduated incentive for length of employment:

Total period of trainee employment	Wage credit as percent of total wages paid trainee
Under 3 months	120
At least 3 months but less than 6	130
At least 6 months but less than 9	150
At least 9 months but less than 12	175
12 months	200*

Illustrative cases: Assuming that the employing establishment is in the 48 percent tax bracket, if the "certified" trainee is retained on the payroll for a full year, the 200 percent wage credit allowed as a business expense would reimburse virtually the total wage cost of the employee. The employer's only cost for the trainee would then amount to about one-half the cost of training and related services. On the average, this would be offset by the value of the trainee's output.

Since this option provides an attractive incentive, and since it is desirable to provide as wide a range of training opportunities as possible, each employer would be permitted a number of "certified" trainees scaled in accordance with the average size of establishment. The schedule might be as follows:

Average employment in establishment	Number of "certified" trainees allowed per year
1-19	1
20-39	2
40-59	3
60-99	4
100+	5 percent, up to a maximum of 100 trainees (very large employers could elect Option No. 1 to train larger groups)

Administrative procedures and safeguards are described after Option No. 3, as these are similar to options Nos. 2 and 3.

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*After maximum wage credit of 200 percent for first-year employment, the employee assumes unsubsidized wage status.

Option No. 3. Wage reimbursement for approved employment and training of "certified" trainees: This approach would be identical to Option No. 2, with the alternative that a participating employer could elect to accept a cash payment in partial reimbursement of wages paid to "certified" trainees, in accordance with the average size of local establishment, as in the suggested schedule below:

Total period of trainee employment	Cash payment at end of 1 year (percent of wages paid)
Under 3 months	20
At least 3 months but less than 6	30
At least 6 months but less than 9	40
At least 9 months but less than 12	60
12 months	80

Payment of the cash reimbursement would be due not earlier than 1 year after the date that the trainee is placed on the employer's payroll, but the funds would be obligated on that date.

Participating employers in the private not-for-profit sector could select Option No. 1 or No. 3, under the terms and conditions described above.

Administration

The U.S. Department of Labor would have primary responsibility for administering the training programs, under standards, guidelines, forms, procedures, including evaluation, prescribed and approved jointly by the Departments of Commerce and Labor. The target groups and the number of "certified" trainees to be selected from these groups would be jointly determined, with the advice of the National Training Council, at the beginning of each fiscal year. The program would be implemented by the State and local offices of the Federal-State Employment Service.

Responsibilities of the Department of Commerce would include encouraging employers to participate in the program, especially small and medium-size establishments, either individually or through appropriate associations.

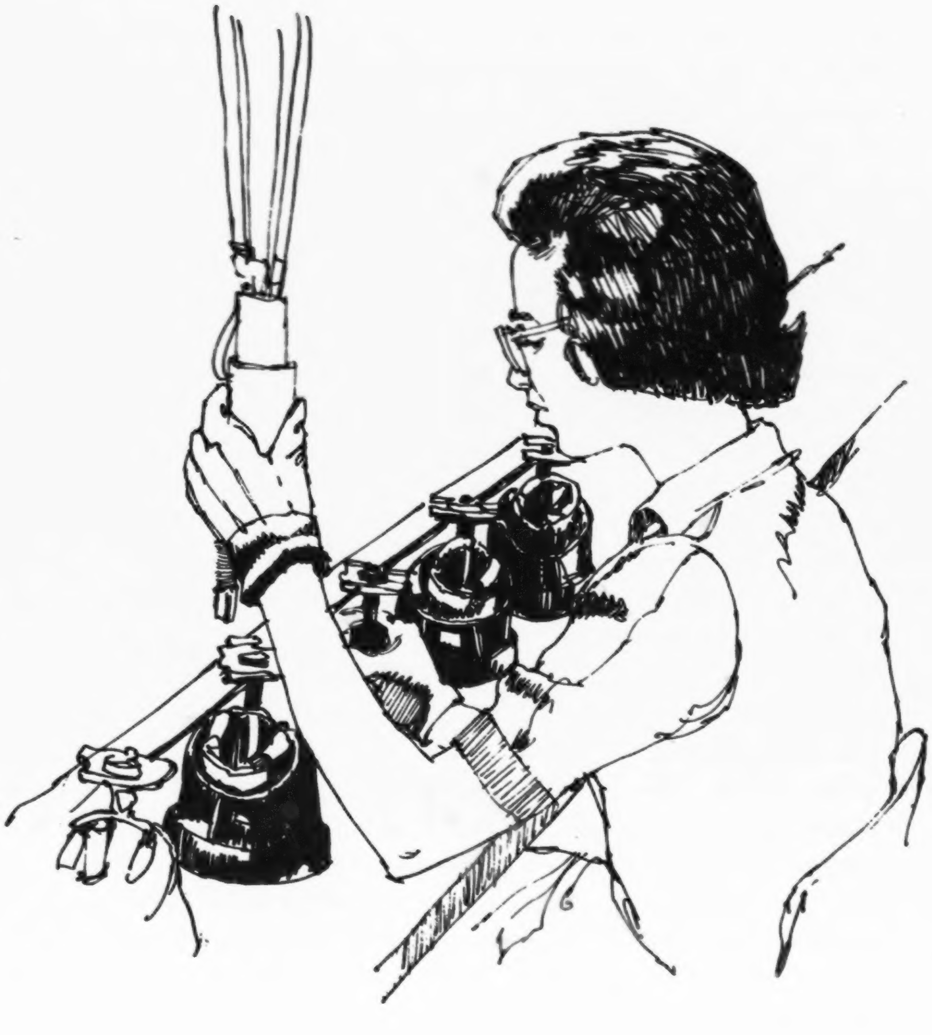
Procedures Under Options No. 2 and No. 3

1. Each employing establishment that wishes to participate in the program would obtain from the local employment service a simple, standard, 1-page form requiring the following information:
    a. Name, address, and type of business.
    b. Total employment in establishment.
    c. Number of "certified" trainees requested, by hiring occupational classification and pay rate.
    d. Occupation(s) for which training will be given, including brief description of duties and the types of training to be given.
    e. Next two potential steps of the promotional ladder in the establishment, with rates of pay for each and length of time required to reach each succeeding step.
    f. Option selected, incentive wage credit or cash reimbursement.
2. The completed form would be returned to the employment office for approval.
3. If approved, and the number of "certified" trainees agreed upon, the employer and the State Employment Service endorse the application form, which specifies the employer's commitments.
4. The employer would then place an order with the local office for the approved number of "certified" trainees, requesting two or three referrals against each opening, if he so desires.
5. The local office recruits, interviews (counsels and tests, if necessary), and "certifies" the approved number of trainees and refers them to the employer.
6. It is not necessary for the trainee to know that he has been "certified," but the employer would receive a specially identified referral form for each such trainee. This form, together with his payroll records, serves as his proof of eligibility for either wage credit or reimbursement at the end of the year.

Administrative Safeguards Under Options Nos. 2 and 3

1. Under the procedures described, the total cost of the program can be controlled by an advance determination of the number of trainees that may be "certified" during the fiscal year. The costs are, consequently, not open ended, as they are under the investment tax credit.
2. The "certifying" device provides a great deal of administrative flexibility and also insures that the federally assisted training will be focused directly on the target population groups or occupational objectives, as administratively determined. Certification can be directed toward the hard-core, the underemployed, the disadvantaged, untrained youth, older workers, specified minority groups, or toward critical shortage occupations, defense-supporting occupations, etc.
3. To prevent induced turnover in order to take advantage of the financial incentives, the system has a built-in encouragement to retain the trainees for at least a year. At the end of a year's training the trainee should have obtained at least average productivity and would be an asset to the establishment. Employer-induced turnover would also be discouraged by not permitting replacement of any "certified" trainees who leave during the year, once the employer has hired his alloted quota of trainees, unless the Employment Service determines that the employer has made all reasonable efforts to retain the trainee.
4. Displacement of regular employees to make room for "certified" trainees could be readily checked through normal unemployment insurance procedures. Participating establishments would be flagged in the local office. U.I. claimants from these establishments would automatically trigger an investigation of the circumstances of the layoff or dismissal.
5. To ascertain that the employer is fulfilling the terms of his agreement, occasional spot checks could be conducted by the field staff of investigators employed under the Fair Labor Standards Act.
6. Should violations be determined to exist under 4 or 5, all benefits would be cancelled, and the Labor Department and/or IRS appropriately notified.
7. No unusual procedures would be involved in IRS auditing. The auditors would be required only to ascertain the names and identifications of the "certified" trainees, and the appropriate payroll records.
8. Since the incentives provided are reasonably attractive, there would probably be more employer requests for "certified" trainees than the program would support in any one year. This situation would permit the local employment office to approve those that offer the best opportunities to meet the needs and preferences of the potential trainees, as well as the specific requirements of the local labor market.

CHAPTER VI



information and research needs

In carrying out the President's mandate "to survey training programs operated by private industry, and . . . recommend ways that the Federal Government can promote and assist private training programs," the Task Force necessarily had to rely upon the currently available data and research studies and the limited amount of additional information which could be developed during its brief tenure.

The Task Force reviewed recent studies and surveys by the Federal Government and private research organizations, research papers prepared by the Task Force staff, as well as presentations made by Government, academic, and industry specialists. These materials, many of which are cited in the text of this report or included in the Appendix, were the basic sources used by the Task Force in the development of this report. In addition, the considerable firsthand knowledge brought to the group by its individual members provided a valuable resource in the report's preparation. While the members considered that this evidence was sufficient to warrant the report's conclusions and recommendations, it also became clear in the course of the group's deliberations that there was a serious lack of detailed, up-to-date information on the scope and nature of the Nation's training effort and future training needs, as well as an imperative need for evaluations of results of ongoing occupational training programs. A strengthened system of data reporting on federally supported training projects is needed to appraise the effectiveness of these programs. The Task Force felt that if manpower policies--particularly the program of Federal assistance to training in private industry recommended in this report--are to be successfully carried out, it is essential that these informational and data needs be met.

In this section, the Task Force outlines what it considers to be the subject areas in which the most significant gaps exist: the nature and scope of training in industry; the Nation's future manpower requirements and supply; employer training policies and methods; effectiveness of current Federal programs; and assessment of methods of stimulating and removing barriers to training in industry. It is expected that Government will take the lead in planning and supporting the research program which will be required to meet these needs. In addition to its own research capability, it is anticipated that the Government will utilize the manpower research expertise of universities and private research organizations. Close collaboration with representatives of business, industry and labor is essential to draw upon their experience in assessing the need for training and evaluating the results of training programs.

Nature and Scope of Training in Industry

The most serious informational gap encountered by the Task Force is the lack of comprehensive, up-to-date, aggregate data on the nature and scope of training in private industry.[38] The available national training studies, while useful in providing a general understanding of the configuration of training in the private and public sectors, need to be updated, improved technically and made more comprehensive. Specifically, the Government should conduct a survey or series of surveys of training programs in private industry. These studies should provide detailed information on enrollments in, and completions of, training programs, by occupation, industry and type of training and on the characteristics of trainees.

Little reliable data are available in the key area of training costs. In developing an effective program of financial incentives, information is needed concerning the total and component costs to employers of providing training and supportive services in specific occupations and for specific types of employees. A Department of Labor pilot study in 1966 indicated that incomplete employer records on this subject make a full-scale study infeasible. The Task Force feels, however, that the subject is of sufficient importance to merit further attempts to surmount these difficulties. For example, the problem might be approached through intensive case studies of selected firms that have cost data.

Another aspect of training in industry in which the Task Force found little available information is informal training. As indicated earlier in this report, most American workers acquire their skills through an informal process of on-the-job training or through an even more casual form of pick-up training. Yet, this important method of skills acquisition has received very little study. It would be desirable to know how the effectiveness of informal training compares with formal training programs in the same occupations.

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[38] It should be noted that, in conjunction with his call for the establishment of this Task Force, the President requested Congress "to provide funds for a systematic study by the Secretary of Labor to answer these questions: What public and private job training programs are now available? Whom do they serve? What needs remain unmet" To date, these funds have not been provided.

Is it more effective for particular types of workers or in particular industrial or business settings? Answers to questions such as these may suggest whether, for certain occupations or categories of worker, subsidies for hiring (with informal training occuring as part of the employment process) rather than assistance for formal training programs should be emphasized. Also, valuable lessons for the development of training methodology can be learned from an analysis of the informal processes by which large numbers of capable workers have acquired their skills.

Future Manpower Requirements and Supply

This report has argued for a Federal commitment to a comprehensive and effective national policy on training. An essential component of such a national policy or, indeed, of any major Federal activity in the area of training, is the development of reliable, detailed data on the manpower needs of the economy and the Nation's capacity to meet these needs.

The Government--particularly the U.S. Department of Labor--has done considerable research work along these lines. On the demand side, for example, the Task Force utilized the Labor Department projections of manpower requirements—growth and replacement needs by major occupational groups and by industry—to gauge in broad terms, the shape and scope of the Nation's training task in the years ahead. However, effective planning of Federal training programs will require projections in far greater occupational detail and for State and local areas as well as for the Nation as a whole. Manpower forecasting is still, at best, an imperfect art. Continuing research and experimentation are needed to improve this basic tool of manpower analysis.

The information on projected manpower supply is far less satisfactory. While good projections are available from the Department of Labor on the projected total manpower supply, by age, sex, and race, little information is available on future manpower resources by occupation. Estimates of future manpower supply are limited principally to professional occupations because of the ready availability of projections of college graduations by discipline. However, the wide variety of methods by which workers are trained in occupations below the professional level presents formidable methodological problems to the researcher. The subject, nevertheless, needs to be pursued because of the key importance of this information.

The task of assessing our potential manpower supply in specific occupations will require a better understanding of how workers are trained for these occupations. The 1963 nationwide survey provided, for the first time, comprehensive information on how noncollege-graduate American workers learn their jobs. It provided, in broad outline, an understanding of the relative significance of alternative pathways to specific occupations. Now, an intensive examination of individual occupations is needed to provide detailed information on how the skills needed for these jobs are acquired. Study of new and emerging occupations in critical fields, such as many technician occupations, is of particular interest. Research on patterns of occupational preparation will be invaluable in devising tools for forecasting manpower supply and training needs, as well as in research addressed to policy problems. For example, little research has been done on the relative effectiveness of alternative methods or combinations of methods of learning an occupation. National manpower planning could be considerably enhanced if administrators knew, for individual occupations, whether vocational education, apprenticeship, military training, or informal methods, or combinations of these approaches yield the greatest cost-effectiveness.

In addition to such comparative studies, the major forms of training in the United States should be regularly reevaluated to determine whether they need to be modified, strengthened or updated. The ad hoc Advisory Council on Vocational Education has recently completed an assessment of the Federal-State system of vocational education. The Task Force has specifically called for, in one of its recommendations, a thorough review of the apprenticeship system in the light of ongoing and completed research which deals with this important method of craft training. Also, as we have indicated, it is essential that researchers attempt to somehow evaluate the broad but elusive area of informal on-the-job training in industry. Other training institutions, such as military service schools and proprietary schools, should be subjected to periodic scrutiny and reappraisal.

The problem of assessing the Nation's future manpower supply has still a further dimension: the job market behavior of specific groups in the work force. A Labor Department study has indicated that today the average 20-year-old man in the work force can be expected to change employers about six times during his remaining working life. Research is needed on the worklife patterns of individual socio-economic groups in the population so that public policy may anticipate, with greater precision, their individual training and retraining needs. Studies of the employment careers of women are of particular interest because of the growing rate of female participation in the labor force and because of the unique training needs arising from the increasingly characteristic pattern of "three careers" in the working lives of women: employment prior to marriage; part-time working during the early years of marriage; and reentry into full-time employment during their mature years.

In the process of developing recommendations for a broad program of expanded training in business and industry, the Task Force recognized that such a training expansion would very likely require a substantial increase in the supply of professional training personnel. Surveys should be conducted to determine the manpower needs in the training field so that appropriate programs may be mounted to prepare the requisite number of personnel.

Employer Training Policies and Methods

This report has identified some of the barriers to employer training: fear of "pirating"; preference for other methods of meeting manpower needs such as intensive recruitment of skilled workers, overtime, job rearrangement; and underestimation of the value of training. And there may be others. Additional research is needed to identify all the deterrents to training and to determine the critical factors in employers' decisions to train or not to train. A better understanding of how a firm arrives at its training (or nontraining) policies would greatly enhance Federal programs designed to provide employers with the incentives and assistance which will influence these training policies.

In the course of visits to firms and meetings with Federal training specialists, the members observed and were informed of outstanding industry training programs. While these training experiences have been reported upon in trade and professional journals, they have not generally been subjected to systematic study and evaluation. To help provide direction and substance to the program of technical assistance recommended in this report, such evaluations should be conducted of successful industry training programs and techniques--both Government and non-Government supported--which are addressed to areas of public interest, such as the work preparation of the disadvantaged and training for skill shortages. Following evaluation information on the most effective and efficient methods of training should be disseminated among firms, organizations and others engaged in training.

Effectiveness of Current Federal Programs

An understanding of the effectiveness of ongoing federally supported programs and a capacity to evaluate future programs is essential to the determination of future public policies with respect to training in industry.

On-the-job training under the MDTA is the major program of Federal assistance to training in industry at this time. The Task Force found that statistical reporting on this program does not permit adequate program evaluation. For example, the available information on hourly earnings and unemployment immediately prior to enrollment in MDTA programs does not cover a time period sufficient to serve as a dependable base line for comparison with posttraining employment and income. Nor are posttraining data on income and employment adequate to evaluate the results of these programs. In general, the system suffers from serious underreporting. The MDTA program is cited here only by way of example. Reporting other public-supported training programs is considerably less satisfactory.

It is recognized that Federal action to ameliorate pressing social and economic problems cannot await the development of improved systems of reporting on and evaluating existing programs. Thus, in urging that MDTA-OJT be continued as a basic model for Federal financial assistance to employer training, the Task Force has relied on the appraisals of this program which, despite the shortage of data, suggest that this program has been effective. For the future, however, the Task Force agreed that all Federal programs providing training and supportive services--both in and out of industry--should institute comprehensive and reliable systems of statistical reporting that will permit ongoing evaluation. Further, all new programs should provide specifically for adequate funds and staff to conduct regular evaluations. Responsibility for evaluation, however, should not be confined to those charged with administering these programs.

In addition to the need for information on the effectiveness of specific training programs, research should also be undertaken to assess the impact on the economy of training activity and particular training programs. For example, the significance of training policies and activity in reducing unemployment, stemming inflation and advancing the rate of economic growth, needs to be explored.

Methods of Stimulating Training in Industry

During the brief period available to this Task Force for the evaluation of alternative methods of promoting training in business and industry, it was not possible to explore all possible alternative approaches to the problem nor to examine in great depth, those approaches which were in fact considered. The members evaluated, with as much care as time permitted, the most promising alternatives and recommended those which the evidence indicated to be potentially most effective. Clearly, the program called for in this report should not be considered the last word on the subject. New alternatives need to be investigated and even those approaches rejected by the Task Force should be subjected to continuing scrutiny in the light of new evidence and changing conditions.

This report has dwelled, at some length, on the Task Force's assessment of alternative methods of providing financial incentives to employers to conduct training in specific areas of Federal interest. While it was concluded that direct payments to employers for reimbursement of training expenses promised to be the most effective and efficient method of helping to finance these training objectives, it was also recognized that the alternative methods reviewed had many advantages and merited further study. For example, the levy/grant approach to financing—best exemplified by the system established under the British Industrial Training Act—did not appear to be a viable method for the American economy. However, with extended study, an acceptable adaptation of this approach might be developed. For example, the unemployment insurance system might be utilized to collect and disburse funds under an American version of this system.

The possible use of tax incentives to stimulate training by employers should also be examined to determine whether the existing barriers to the use of this device, cited in this report, can be overcome. As has been pointed out, tax credits for training are an attractive incentive for employers but certain basic problems in connection with the versions of this method studied by the Task Force should be confronted if it is to become part of a national training policy. Similarly, the concept of vesting financial credits in individual workers has certain significant advantages for the hard-core unemployed workers it is designed to serve.

Research, and perhaps pilot testing, may produce a method of vesting that would include an adequate incentive for employers as well as provide a meaningful employment-training progam for workers and thus meet the objections to this approach outlined in the report.

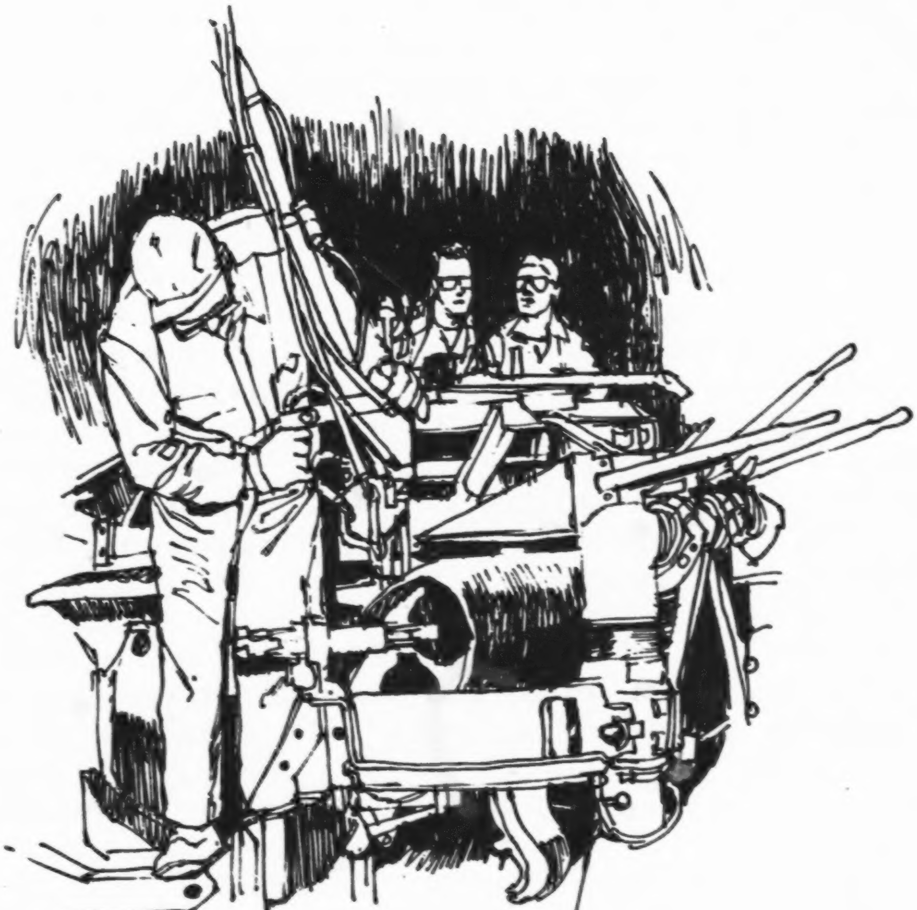
As indicated specifically in one of the Task Force's recommendations, the existing network of skill centers--both public and private--should be carefully evaluated to determine whether the Federal Government should place further emphasis on this institutional approach to meet the training needs of private employers. The studies should cover skill centers operated by employers, unions and the schools as well as those administered by the Government under the MDTA.

In addition to evaluation of methods of stimulating training in business and industry, research is also needed on the barriers to expanded training by employers. As is pointed out in one of the Task Force's recommendations, a thorough review should be made of Federal laws and administrative practices which may serve to discourage training in industry. For example, research should be undertaken to determine whether, under the unemployment insurance system, the risk of an undesirable merit rating due to turnover constitutes a barrier to employer hiring and training of seriously disadvantaged persons and, if this is the case, how this problem can be overcome. The Fair Labor Standards Act's child labor provisions and provisions for special minimum wages for learners should be examined to determine whether their modification would encourage an expansion of training in business and industry and whether such revisions in the Act would be feasible or desirable.

It has been suggested that unnecessarily stringent criteria for security clearance of persons employed in private industry under Government contacts may inhibit employment and training. Administrative practices such as these should be carefully reviewed and, where appropriate, remedial action recommended.

There may be institutional barriers to training which need to be studied, other than those posed by Federal laws and regulations. For example, the provisions of collective bargaining agreements, such as seniority provisions and established job classifications, should be evaluated to determine whether they serve to inhibit the establishment of industry training programs in areas of Federal interest. State and local laws which provide for the licensing of specific occupations should be studied to determine whether the requirements for licensing unnecessarily bar individuals from training and entry into occupations in which there are manpower shortages.

Finally, as has been suggested in chapter IV of this report, the Task Force benefited from its limited review of the experience of other countries in stimulating and assisting training in the private sector. A continuing evaluation of these experiences is highly desirable. The Task Force was especially impressed by the results achieved thus far under the recent programs established under the British Industrial Training Act. It is suggested that American researchers give particular attention to progress under that system.



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